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THE JOURNAL OF  
THE INSTITUTE OF CHARTERED ACCOUNTANTS  
IN ENGLAND AND WALES

JANUARY 1961

PRICE 2s. 6d.

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# Accountancy

The Journal of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

ESTABLISHED 1889

Incorporating ACCOUNTING RESEARCH

VOL. LXXII

JANUARY 1961

NUMBER 809

The annual subscription to ACCOUNTANCY is £1 10s., which includes postage to all parts of the world. The price of a single copy is 2s. 6d., post free 3s. The publication day is the twentieth of the month (the day before if the twentieth is a Sunday). Editorial and Advertisement Offices; Moorgate Place, London, E.C.2. Telephone: Moorgate 5644.

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## Professional Notes

**Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A.**

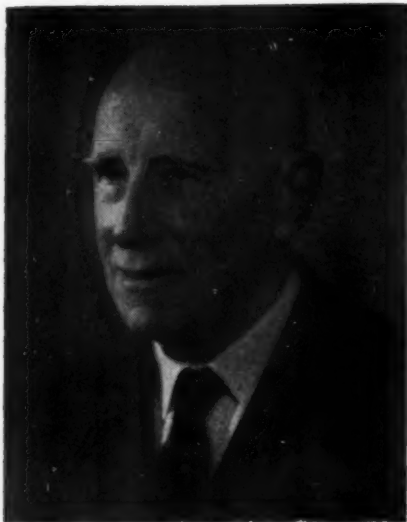
THE COUNCIL OF The Institute of Chartered Accountants in England and Wales accepted Sir Harold Howitt's resignation as a member of the Council at its meeting on January 4, with very great regret—as recorded on page 50 of this issue.

Sir Harold Howitt, who is seventy-four, first became a member of the Council in 1931 and was President of the Institute in 1945/46. He acted as President of the Sixth International Congress on Accounting held in London in 1952.

Sir Harold qualified as a chartered accountant in Nottingham in 1909 and became a partner in Peat, Marwick, Mitchell & Co. in 1911. He served in the First World War 1914-18 with the Green Howards and

received the M.C. and D.S.O. He was taken prisoner in March, 1918, but escaped—the incident was recorded in John Buchan's *Mr. Standfast*.

He has had a long record of public service and has continuously assisted various Government Departments since 1932. Before the war he served on a number of committees, particularly in connection with agricultural matters. He was created a knight in 1937. During the Second World War Sir Harold was a member of the Air Council and its related activities, and was Chairman and Deputy Chairman of British Overseas Airways 1943/48. He also acted as financial adviser to the Ministry of Works during the latter war years. He was a member of the Tribunal set up to determine the compensation payable to the coal owners on the nationalisation of the mines in 1946. He was awarded the Grand Cross of the



Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A.

British Empire in 1946, and holds the honorary degrees of D.C.L. and LL.D. of Oxford and Nottingham Universities respectively. In 1957 he became a member of what was commonly known as the Cohen Committee set up to report on productivity, prices and incomes. In the same year he was appointed to enquire into purchasing procedure of the British Transport Commission. In 1959 he was a member of the Committee to enquire into the financial structure of the Colonial Development Corporation. He is a member of the Board of Trade General Consultative Committee on the Companies Act.

His many other interests include the Merchant Taylors Company, of which he was Master in 1952/53; membership of the Council of Toynbee Hall and the Boys Hostels Association; the N.S.P.C.C., of which he was Hon Treasurer; and other spheres of social service. He has been a magistrate since 1942, and was chairman of the Hampstead Bench from 1952 to 1959. He is also chairman of the governors of Uppingham School.

Sir Harold has always had the closest interest in the affairs of the Institute, notwithstanding the extent and varied nature of his public services and his professional work. He has served in practically all the offices connected with the operation of the Institute affairs. He has always had a

keen interest in the training of articled clerks, was a member of the Examination Committee for many years and acted as President of the Students' Society.

His wise counsel, wide experience and humour will be sadly missed by his fellow members of the Council.

#### New Year Honours

SIX MEMBERS OF The Institute of Chartered Accountants in England and Wales figure in the recent Honours List. We have pleasure in congratulating Mr. Alfred Henry Norris, O.B.E., F.C.A., who is to become a Knight Commander of the Order of the British Empire. Mr. Norris is a British subject resident in Brazil.

We should also like to congratulate Mr. Ernest Parker, O.B.E., F.C.A., on receiving the honour of Commander of the Order of the British Empire for services to the United Kingdom community in India. Two members, Mr. William Lovat Bloomfield, F.C.A., managing director of the Nigerian Produce Marketing Co. Ltd., and Mr. Philip Roland Lindley, F.C.A., financial secretary to King George's Fund for Sailors, become Officers of the same Order; while Mr. Edward Walter Raby, F.S.A.A., lately deputy chief accountant, Yorkshire Electricity Board, and Mr. Joe Eric Scurrah, F.C.A., finance officer, British Wool Marketing Board, are awarded the M.B.E.

In addition, two members of the Scottish Institute receive the honour of C.B.E. They are Professor Robert Browning, M.A., LL.B., C.A., chairman of East Kilbride Development Corporation, and Mr. A. L. Imrie, C.A., F.I.M.T.A., City Chamberlain of Edinburgh.

To all we offer our warm congratulations.

#### Students' Grants

THERE WILL BE widespread satisfaction that the Minister of Education has decided to make a considerable relaxation of the means test applied to parents in respect of their contributions to the cost of education at universities, teacher-training colleges and comparable institutions, although there will be some disappoint-

ment that the means test has not been abolished. The exact effect of the new scale cannot be judged until details are published—the Minister promised some weeks ago to publish details shortly after consultation with the local authority associations—but no contribution will be required below a net scale income of £700. In general, there will be a substantial reduction in the amounts which parents will be required to contribute, while the child allowance for income tax purposes will be continued. Sir David Eccles further gave an assurance that this relaxation is without prejudice to full abolition of the means test, if examination shows that abolition would be right. The scheme applies at present only to England and Wales, and its cost in a full year is estimated at £10 million, raising the total cost to public funds to £28 million. If the recommendations of the Anderson Committee had been adopted in full there would have been a further £8 million to find, but that would have included the withdrawal of the child allowance for income tax purposes. To have retained that allowance and abolished the means test would have cost a further £4½ million, or £22½ million in all. The poorer parents affected by this plan will benefit more than had the Anderson recommendations been accepted in full, since they will be very largely relieved and will retain the allowance. It remains to be seen what relief will be accorded to the remaining parents, whose contributions are, at present, a heavy drain; but there will be equal treatment within each income group, as the intention is that all local authorities shall apply the new scale.

#### Charles William Boyce, C.B.E., F.C.A.

READERS WILL HAVE learned with regret of the death of Mr. Charles William Boyce, C.B.E., F.C.A., at his home in Shipley, Yorkshire, on the evening of December 17, 1960. Mr. Boyce, senior partner in Boyce, Welch & Co., Chartered Accountants, of Bradford and London, and a past-President of the Institute, was eighty-two years of age.

He began his career in Bradford in





*Charles William Boyce, C.B.E., F.C.A.*

1894, when he was articled to the late Mr. J. Hartley Blackburn, F.C.A., and was admitted to membership of the Institute in 1900. In 1905 he founded a practice in Bradford with the late Mr. Thomas Paton, C.A., which in 1918, on amalgamation with the practice of Mr. Alan Welch, F.C.A., adopted the firm name of Boyce, Welch & Co.

Mr. Boyce was elected to fellowship of the Institute in 1911, and became President of the Leeds, Bradford and District Society of Chartered Accountants in 1929. Six years later, in 1935, he was appointed a member of the Council of the Institute in place of his old principal, Mr. J. H. Blackburn, F.C.A., who, it may be recalled, had been a member of the Council for over fifty years.

On the outbreak of war in 1939 Mr. Boyce was appointed Joint Director of Finance, Wool Control, a position which he held for ten years until the closure of the Control. For his services in this office he was awarded the C.B.E. in 1950. During 1949 he served as Vice-President of the Leeds, Bradford and District Society and played an active part in the organisation of the Institute's Nineteenth Autumn Meeting, held that year at Harrogate.

In 1950 he was elected Vice-President of the Institute, and in the following year became President. He remained a member of the Council until 1957, and amongst the Committees on which he served were the

Applications Committee (of which he became Chairman), the Finance Committee and the Investigation Committee.

Amongst his other interests, Mr. Boyce was a member of the Council of Bradford Chamber of Commerce for more than twenty-one years, and was a keen cricketer, playing until he was over fifty; he remained an active sportsman throughout his later years, continuing to play golf regularly.

It seems appropriate to recall the tribute paid to him by a fellow Yorkshireman, Sir Harold Barton, when proposing him for the Vice-Presidency of the Institute. Sir Harold spoke of him as a very friendly man; a man of wide experience, shrewd judgment, great energy, and a hard worker all his life. When he tackled a job, Sir Harold said, he did it thoroughly and with complete efficiency. Those words will perhaps most aptly summarise the many tributes that will be paid to Mr. Boyce for his services to the profession, both locally and nationally.

#### **Real Property Market**

THE ROYAL INSTITUTION of Chartered Surveyors announces that the Balch-Essex Prize for 1960 has been awarded to Mr. I. St. Clair Morgan, A.R.I.C.S., of Messrs. Weatherall, Green and Smith, London, W.C.2. This prize was established by the Rural Essex Branch to commemorate Mr. W. M. Balch's year of office as President for 1957/58. It is of the annual value of £25 and is awarded to the member under forty years of age who makes the best report on the real property market for the twelve months ending September 30, including a forecast of the trend for the ensuing year.

As Mr. Morgan sees it, the trend towards rising prices will continue. The cost of building land has risen by over fifty per cent. during the year, and an increase of between five and ten per cent. is likely for both new and secondhand houses. Shop rents have soared with the advent of the supermarkets, but should now remain steadier. The decentralisation of London offices continues, but there has been no fall in rents in the

City and West End; in the provinces figures are also rising, those for new accommodation in Birmingham being the highest. Farms sold with vacant possession have fetched phenomenal prices, but most landlords should soon be able to contribute on an economic basis towards the maintenance of fixed equipment on their farms; farm rents are undoubtedly going to increase. Values in the factory market are unsteady, and some of the large property investors are becoming interested. All in all, the property companies frequently give the impression that their main object is to impress shareholders with a list of new developments and acquisitions—a policy which is bound to be short-lived and may produce some interesting repercussions.

A copy of the prize-winning report is available on application to the Institution at 12 Great George Street, London, S.W.1.

#### **Fire Precautions in Buildings**

ADDRESSING THE ROYAL Institution of Chartered Surveyors on January 2 Mr. F. W. Delve, C.B.E., Chief Officer of the London Fire Brigade, estimated the fire losses in the United Kingdom and Eire for 1959 at £44 million, compared with an average of between £24 million and £28 million for the preceding five years—and it was feared already that the 1960 figures would be even higher than for 1959.

The new Factory Act which came into force last December gives factory inspectors the right to authorise the London Fire Brigade to inspect factories. Plans of housing estates and new buildings are often forwarded to the Brigade to ensure adequate access in case of fire, but many London buildings are not subject to any statutory control, although the L.C.C. is always willing to offer advice.

High buildings complicate the problem, for above 80 to 100 feet all fire fighting and rescue work must be done from within the building. A new hazard has arisen with air conditioning, and it is more essential than ever that smoke-stop doors should never be removed or propped open, whether through carelessness or ignorance of

their purpose; loss of life in fires is usually due to the carbon monoxide contained in smoke. Automatic sprinklers provide the most effective protection against fire, and most fire policies will allow a substantial rebate where these are installed.

### Hire Purchase Problems

ONE OF THE latest of the hire purchase finance houses to issue its annual report and accounts is *North Central Wagon and Finance Co. Ltd.*; the report is particularly worthy of note as the chairman of the company is Mr. E. Duncan Taylor, F.C.A. The profit, before charging interest on borrowed money but after providing for bad and doubtful debts, is slightly lower than that for the previous year, but interest on borrowed money rose by some 64 per cent. In the directors' report it is stated that the disappointing result is due to the increased cost of borrowed money and the greater number of hirers who have failed to fulfil their obligations. A fall in the secondhand value of motor cars in the latter part of the financial year also added to the difficulties. During the past two years, Mr. Duncan Taylor states, there have been more cases of fraud and misrepresentation in hire purchase than at any previous time during his association with the North Central Group, which extends over more than thirty years. The report then sets out some suggestions for reducing the hazards of the hire purchase business. The first of these is that the Finance Houses Association, alone or with others, should take all possible steps to protect the interest of the finance houses—the acquisition of "Kemp's" by seven leading hire purchase finance companies, dealt with on pages 688-9 of the December issue of *ACCOUNTANCY*, is a step in this direction. Mr. Taylor then mentions the adverse effects of the withdrawal of controls in the autumn of 1958, which encouraged people to enter into commitments they could not afford, the worst excesses of this period being ended by reimposition of Board of Trade controls in April last. He concludes by suggesting that the hirer should have a substantial

financial interest in the subject of his hire purchase and that, for motor vehicles, the initial payment should be at least 25 per cent. of the cash price. It would have been interesting to have a suggested initial payment for the general run of durable consumer goods, but the idea that there should at all times be a substantial initial payment is sound, for reasonable initial payments would reduce the need for Government intervention in the hire purchase business and avoid the disturbance resulting from such intervention in the operations of producers of goods normally sold by means of hire purchase.

### "Money in the Bank"

THE EXPRESSION "money in the bank" or "money at the bank" is one which is frequently used by testators in disposing of their property. *Prima facie*, both forms of words mean the credit balance which the testator has in his bank account at the time of his death. In *Re Prater* [1888] 37 Ch. D. 481, the Court of Appeal drew a distinction between the gift of "half my property at R's bank," which it held to include shares, the certificates for which were deposited in the bank, and a gift of "my money at the bank," which it thought would cover only bank balances. In the recent case of *Re Trundle, deceased* [1960] 1 W.L.R. 1388, the Court was asked to determine what assets were comprised in a gift to the testator's godchildren of "any moneys that I have in the bank." At the date of death the testator had a credit balance on a drawing account at the bank, and there were deposited at the bank in his name (*inter alia*) national savings certificates, share certificates, post-war credit certificates and a passbook showing the testator's title to shares in a building society. In the testator's flat were a number of uncashed travellers' cheques bought from the bank. Cross, J., held that the words "any moneys that I have in the bank" excluded all the certificates and the building society shares but included the uncashed travellers' cheques bought from the bank with part of the credit balance.

### A New Computer

IN DECEMBER THE National Cash Register Company announced a new computer, the NCR 315, which has been designed exclusively for business data processing and is being manufactured simultaneously in Britain and the United States.

This computer incorporates RACE, a new type of random access store employing plastic cards held in removable cartridges. The information is recorded on these cards magnetically and each card has a capacity of over five million alphanumeric characters. Sixteen cartridges can be coupled to the computer simultaneously, giving a total capacity of over eighty-four million characters. The time required by RACE to locate and extract information is less than for any other random store of similar capacity and price. In addition to increasing the speed of the computer, this reduction in access time makes it no longer necessary to pre-sort computer input data into the same order as the information in the store; it is this pre-sorting which has in the past detracted heavily from the overall speed and economy of electronic data processing.

Input to the NCR 315 is by means of punched paper tape or punched cards, the tape input speed being 1,000 characters per second, a new NCR punched card reader giving an operating speed of up to 2,000 cards per minute.

Various output devices may be used, including one or more line-at-a-time printers which can produce business documents at speeds of up to 900 lines per minute.

Routines are being designed to enable the computer to accept programmes written in COBOL, the new common business language for computers. It is anticipated that this will increase the flexibility of the machine and decrease the cost of programming.

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approximately ten million telephone accounts for subscribers.

In December a mechanised ticket processing unit was opened in Leeds which will eventually process call tickets and prepare accounts for the whole of North-East England.

Call tickets to be processed by the unit are prepared on a small forty-column I.C.T. card, the telephone operator recording numerically the exchange and number called and the time and duration of the call. The charge for the call and the subscriber's number are recorded by pencil marks across the appropriate digits in three columns reserved for the charge, and six for the subscriber's number.

The cards are sent to the processing unit, where they are passed through a mark scanning punch. This machine was developed jointly by International Computers and Tabulators Ltd. and the G.P.O. It punches cards at the rate of 5,400 per hour, automatically punching information which is common to batches of tickets, for example the date. The machine automatically checks the punching of cards in accordance with a predetermined pattern, any cards not conforming to the pattern being rejected for correction by hand.

Cards prepared for local calls are summarised by a high speed summariser. This is another machine developed to a G.P.O. specification exclusively for this work, and many standard telephone exchange components are used in its construction. It operates at 200 cards per minute and punches one card for the total number of local call units recorded.

The call cards are sorted to the subscriber's number by a high speed sorting machine, and a tabulator prints and totals automatically the statement of account.

Within a few years all telephone call ticket processing throughout the country will be performed mechanically. The equipment is also attracting the attention of oversea buyers, Japan and Malaya having already purchased mark scanning punches for use in systems similar to that at Leeds.

#### Discretion of Court in Winding-Up

SECTION 346 (1) of the Companies Act, 1948, provides that

The court may, as to all matters relating to the winding-up of a company, have regard to the wishes of the creditors . . . as proved to it by any sufficient evidence . . .

In *Re Vuma Ltd.* [1960] 3 All E.R. 629, a judgment creditor of a limited company issued execution, but the effects of the company were claimed by a third party and there were no assets. The creditor presented a petition for the compulsory winding-up of the company. This was supported by two other creditors, but was opposed by them (consequent on a change of mind) at the hearing, though they did not adduce any evidence to support their opposition. The total of the debts of these two creditors exceeded that of the judgment creditor. Between the dismissal of the petition by Buckley, J., and an appeal to the Court of Appeal, the three creditors received an offer of payment of their debts by instalments, and a payment was made in pursuance of the offer. The Court of Appeal held that the court's discretion under Section 346 (1) was not limited to merely having regard to the wishes of the majority in value of the creditors (see *Palmer's Company Law*, twentieth edition, page 700), and in the special circumstances of the case—namely, as the company had no assets at all and as those who opposed the petition adduced no evidence why the company should continue—the winding-up order should be made. The appeal was accordingly allowed.

#### Company Finance in 1958

THE ISSUE OF *Economic Trends* for December continues the series of articles on "Income and Finance of Public Quoted Companies." Despite the title, some figures for all companies are given, but consideration of these is excluded here owing to lack of space to explain the differences in the bases for the two sets of figures.

The accounts of quoted companies dealt with—those in respect of years ending between April 6, 1958, and April 5, 1959—were affected by the reduction in the rate of income tax

and by the temporary cessation of stock building in the tight credit conditions which followed the rise in Bank Rate in September, 1957. One result of the tax reduction was that total disposable income, after gross interest and tax on current income, rose from 48 to 51 per cent. of total income—the highest figure of recent years. Virtually the whole of this addition was used to strengthen reserves; the proportion of total income absorbed by dividends was again 19 per cent., as in the previous year. In consequence of these factors and other economic considerations, expenditure on fixed assets and on increase in value of stocks by quoted companies dropped by some 20 per cent. on the year. On the other hand, retentions rose by about 4 per cent. Future tax reserves were reduced by £34 million, thus helping to make possible an addition of £930 million (£84 million more than in the previous year) in retentions, including depreciation provisions. The companies showed a surplus of liquid assets in 1958/59 of £7 million, against a deficit of £82 million for 1957/58; but this excludes trade credit, and in both years the quoted companies gave more of this than they received. A comparison of gross trading profits in 1958/59 with those of 1953/54 shows a rise of almost 40 per cent. for manufacturing industry as a whole, but this is somewhat exaggerated by the exclusion in the earlier period of the nationalised iron and steel companies. There was an appreciable fall in textiles, but increases in most other industries: in metal goods, the gross profits of quoted companies rose from £57 million to £104 million. The share of quoted companies in the profits of all manufacturing companies increased over the period from 73 per cent. to 81 per cent.

#### Third Quarter Picture

THE PUBLICATION OF up-to-date statistics makes it possible to carry a step further the analysis of the economic position of the country, which was the subject of the first Professional Note in ACCOUNTANCY last month. The November trade figures, although distorted by the strike of tally



clerks in the Port of London, were much better than those of October. The Board of Trade estimates that, eliminating normal seasonal variations, the three months September to November show a rise on the quarter ended August of 2 per cent. in exports and of 3½ per cent. in imports. The increases for the first eleven months of the year are 6 per cent. and 15 per cent. respectively.

Even after seasonal adjustment, the crude trade figures are a very imperfect guide to short-term changes. The Treasury's balance of payments figures for the third quarter of 1960, although incomplete, serve to expand and confirm those of the National Institute of Economic and Social Research. The adverse balance of visible trade rose to £133 million, which compares with £39 million in the preceding quarter and £41 million in the third quarter of 1959. Net invisible income was £32 million, showing little change from the two preceding quarters but a decrease as compared with the previous year of £52 million.

The net effect is that the identified balance on current account was a deficit of £101 million for the quarter and £66 million for the first nine months of 1960, against a surplus in 1959 of £43 million for the third quarter and £159 million for the first nine months.

The figures of long-term capital transactions are not yet complete, but strictly monetary movements—gold reserves, net sterling balances and other items—show a surplus on the quarter of £75 million. It appears that overseas investments here plus identified sums attracted by high interest rates or other means exceeded our long-term investment abroad. The dominant fact remains the influx of short-term balances. Incidentally, this influx has enabled the United Kingdom to help the dollar by lending dollars to the International Monetary Fund.

#### **Rising Capital Expenditure and Stocks**

THE BOARD OF Trade has cast further light on the economic position at the end of September by publishing, for the first time, seasonally adjusted figures based on constant 1954 prices

of home investment both in fixed capital and in stock-in-trade and work-in-progress. The fixed capital figure is split between manufacturing, on the one hand, and other industries and services, on the other. In the third quarter of 1960 manufacturing outlay was £26.2 million more than in the second quarter, but the rest of industry and the services spent £15 million less. The effect on competitive power is, however, likely to be greater from an improvement in manufacturing equipment.

The adjusted figure for manufacturers' stocks shows an increase in the third quarter of £111 million, following one of £100 million in the second quarter. About half the increase was in stocks of materials and fuel—mainly in the engineering, textile and timber industries—and a further third was in finished goods, especially in iron and steel and motor vehicles.

Retailers disposed of a large part of their stock increase of the previous quarter, but the upward trend in wholesalers' stocks was accelerated—even after adjustment, the increase in the third quarter was £38 million, more than double that of the second quarter and larger than any increase since the first quarter of 1957.

The adjusted total increase in all manufacturers' and distributors' stocks was £128 million, or £21 million less than the increase in the preceding quarter. The Board of Trade sees in this some indication—such as the statisticians and others have for some time been looking for—that the strong movement towards accumulation may be levelling off. To judge from the latest statement of the steel industry, it looks as though stock building in this field is expected to slow down, while some time between now and 1962 it may be possible for the industry to meet all internal requirements, unless there is a more rapid revival in the demand for sheet than seems probable. This would also have a beneficial effect on imports, which have been substantial over the year as a whole.

#### **Restrictive Practices**

THE RESTRICTIVE PRACTICES Court, in judgments delivered last month,

held that the restrictions contained in two agreements referred to it were contrary to the public interest and, therefore, void, pursuant to Section 20 of the Restrictive Trade Practices Act, 1956.

The agreement between members of the Wholesale Confectioners' Alliance of Great Britain and Northern Ireland contained a schedule of recommended trade prices, and provided for the division between wholesalers and retailers of the distributive margins allowed.

The Court held that the Alliance had failed to establish its case. It was not persuaded that in a free market small traders were incapable of profitably comparing the prices of different wholesalers. If the "disputes" which it was sought to avoid meant differences of opinion in the course of bargaining, the Court could not regard their avoidance as a specific and substantial advantage to the retailers, particularly when most of them were likely to benefit from the bargaining by a reduction in prices.

The restrictions contained in the Motor Vehicle Distribution Scheme Agreement were held by the Court, in a reserved judgment, to give no benefit to the public, and it declared them contrary to the public interest. It was clear that resale price maintenance was an essential element in the agreement. Since over 93 per cent. of the public bought from the franchised dealers, and would continue to do so irrespective of the scheme, the ability of members of the public to obtain the cars they desired and to have a proper repair service would not—as had been claimed by the signatories—cease if the scheme were abrogated. The Court ordered the distribution committee representing the signatories to pay 3,000 guineas costs to the Registrar.

#### **Order Declaring Dissolution of Company Void**

SECTION 352 (1) of the Companies Act, 1948, provides that

Where a company has been dissolved, the court may at any time within two years of the date of dissolution, on an application being made for the purpose by the liquidator of the company or by any other person who appears to

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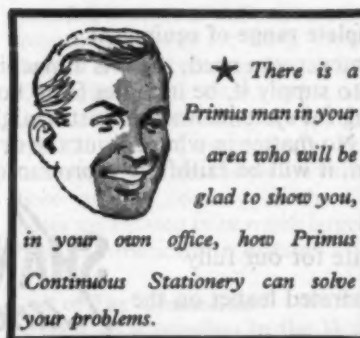


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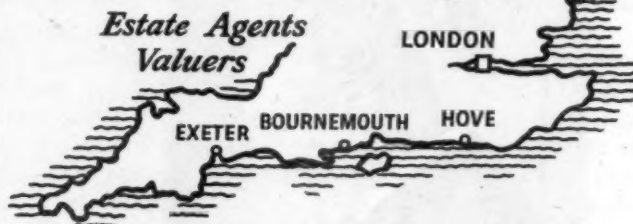


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the court to be interested, make an order, upon such terms as the court thinks fit, declaring the dissolution to have been void, and thereupon such proceedings may be taken as might have been taken if the company had not been dissolved.

Upon a first reading of this sub-Section it seems reasonably plain that unless the order of the Court is made within two years of the date of dissolution the petitioner will be time-barred. In *Dowling (Liquidator of Archibald Russell, Ltd.)—Petitioner* [1960] 45 S.L.T. 76, the grounds of a petition by the liquidator were that deductions for income tax had been made from payments received by him from the Ministry of Fuel and Power; he had believed the deductions to have been validly made, but, in view of the decision of the House of Lords in *Whitworth Park Coal Co., Ltd. (in liquidation) v. C.I.R.* [1959] 3 W.L.R. 842, they were not validly made. In the Outer House Lord Guest said that in *Re Scad* [1941] 1 Ch. 386 Uthwatt, J., had held that the Court had jurisdiction under Section 294 (1) of the Companies Act, 1929 (the predecessor of Section 352 (1)), to make an order declaring the dissolution of a company to be void after the expiration of two years from the date of dissolution, provided the application for the order was made within that period. He agreed with the reasoning of Uthwatt, J., and in his view, if the application were presented timeously within Section 352—as had been done in the present case—it would not matter that the order of the Court was made “outwith” that period. In the circumstances of the case, however, because Clause 37 of the Finance Bill, 1960, if enacted, would have the effect of reversing the decision in *Whitworth Park Coal Co., Ltd. v. C.I.R.*, it would not be appropriate to grant the order craved until the fate of Clause 37 was determined.

Clause 37 has now become Section 39 of the Finance Act, 1960, and, accordingly, the petition has not been proceeded with. The point of interest, however, is that the order of the Court may be made after the expiration of two years from the date of dissolution (notwithstanding the

wording of Section 352 (1)), since it is only the application which has to be made within two years.

## Shorter Notes

### Board of Referees

Mr. E. N. Macdonald, D.F.C., F.C.A., Mr. J. D. Russell, M.A., F.C.A., and Mr. J. E. Talbot, F.C.A. have been appointed members of the Board of Referees.

### Netherlands Institute of Accountants

At the recent annual general meeting of the Netherlands Institute Mr. H. C. Treffers of Amsterdam was re-elected President. The new Vice-President is Professor G. Diephuis. The three vacancies under the retirement rule have been filled by the election to the Council of Mr. H. Gerritsen, Mr. P. C. Maan and Mr. G. F. Westendorp.

### Nigerian Industrial Development Conference

A delegation from the Federation of British Industries is visiting Nigeria this month to take part in a Nigerian Industrial Development Conference. The delegation is led by Sir Norman Kipping, Director-General of the Federation of British Industries, and one of its members is Sir Bertram Waring, F.C.A., chairman and managing director of Joseph Lucas (Industries) Ltd.

### Graduated National Insurance Contributions

By mid-January one million employers will have been supplied with a guide to the new scheme for graduated contributions which starts in April; distribution is being made through Inland Revenue tax offices. The Guide explains an employer's responsibilities for paying graduated contributions, the employees for whom contributions are due, and how the contributions are calculated. A free leaflet explaining the new graduated pension scheme can be obtained from any local Pensions and National Insurance Office.

### The Accountant Awards

The Panel of Judges, under the chairmanship of Mr. K. W. Mackinnon, M.B.E., T.D., Q.C., has now begun work on selection of the winners of *The Accountant* annual awards. A new member has been added to the Panel this year: Mr. J. A. Hunter, M.B.E., T.D., a member of the Council of the Stock Exchange, London. The closing date for the receipt

of entries is January 31, 1961, and the awards will be presented by the Lord Mayor, Alderman Sir Bernard Waley-Cohen, at the Mansion House on May 20.

### Investment Conference for Professional Advisers

Arrangements are being made under the auspices of the *Investors' Chronicle* for a one-day Investment Conference, primarily for accountants, lawyers and company secretaries, to be held in the City of London on Wednesday, March 22, from 9.30 a.m. to 5.30 p.m. The Chairman of the Conference, which will be non-profit making, will be Mr. J. Dundas Hamilton and the speakers will include Mr. Edward du Cann, M.P., Sir Edwin Herbert, K.B.E., LL.B., the Hon. David Montagu, Mr. E. L. Muirson, M.B.E., Mr. Guy Naylor, Barrister-at-Law, Mr. E. L. Richards, M.B.E., M.C., T.D., Mr. G. H. Ross-Goobey, F.I.A., and Mr. Harold Wincott. The fee will be £4, which will include a buffet luncheon and drinks. Further information may be obtained from Mr. Philip Syrett, 4 Angel Court, London, E.C.2.

### U.K.—U.S. Cross Investment

In reply to questions in the House Mr. Selwyn Lloyd, Chancellor of the Exchequer, recently gave the following figures of payments of interest and dividends in respect of direct investment by the United States of America in British companies and of United Kingdom investment in United States companies. Oil and insurance companies are excluded because of different methods of computing figures for those industries. United States receipts for 1958 were \$93 million; for 1959, \$104 million; United Kingdom receipts, \$17 million and \$20 million, respectively. In each case portfolio investments are excluded; those of this country in the United States were stated to be much larger than those of Americans in Britain.

### Cost of Tax Concessions

In reply to a question in the House of Commons on the cost of certain specific tax reductions, Sir Edward Boyle, Financial Secretary to the Treasury, stated that to remit all income tax and surtax now paid at combined rates in excess of 15s. would cost £7 million; that to lift the minimum at which surtax was payable from £2,000 to £6,000, preserving the existing slice structure and the existing rates for each slice, would cost £60 million; while to increase the earned income allowance from the present rates of two-ninths and one-

ninth to one-quarter and one-eighth, respectively, would cost £106 million.

#### Creation of O.E.C.D.

With the institution of convertibility for most of the currencies of Western Europe, the Organisation for European Economic Co-operation has largely outlived its functions, and a meeting was held in Paris in the middle of last month to endorse arrangements for remodelling and extending it. The Chancellor of the Exchequer, who with the President of the Board of Trade attended this meeting, announced the general effect of the change, and a White Paper containing the full text has been published. The new body, the Organisation for Economic Co-operation and Development, includes the old members plus the United States and Canada, and aims to achieve the highest sustainable economic growth consistent with financial stability; to help sound expansion in countries undergoing economic development; and to contribute to the expansion of world trade on a non-discriminatory basis. Its object is plainly to provide a channel for further economic co-operation between Western Europe and North America. In matters of trade it will function within the framework laid down by G.A.T.T.

#### Egypt—Compensation Claims

Two new Orders in Council have been made which may affect the position of those whose property or other assets have been taken over by the Egyptian Government. The first provides a new scale, superseding that laid down in 1959 under the Foreign Compensation (Egypt) (Interim Distribution) Order; it affects mainly those whose claims exceed £10,000. The new scale is 70 per cent. on the first £5,000 of each claim, 50 per cent. on the next £45,000, 25 per cent. on the next £450,000 and 20 per cent. on all amounts over £500,000. The second Order amends the Foreign Compensation (Egypt) (Determination and Registration of Claims) Order so as to facilitate the establishment of claims where formal evidence of the sale of the property cannot be obtained. Both amendments are now in force.

#### Western Hemisphere Exports Council

Like those of O.E.E.C., the functions of the Dollar Exports Council have been largely overtaken by events; and shortly before Christmas Lord Rootes, who had been chairman of the old body since its establishment in 1951, was able to announce that the Council had been renamed the Western Hemisphere Exports

Council. This, as its name implies, will seek to promote exports to the whole of the Americas. It is also intended to encourage investment by British companies in these areas. The new Board will include Lord Polwarth and Sir Bertram Waring, F.C.A., managing director of Joseph Lucas (Industries) Ltd.

#### Restrictions on Disclosure

The Board of Trade has taken further steps to safeguard traders against the disclosure of information relating to individual undertakings obtained at the Census of Distribution for 1961, for which forms are to be distributed in January, 1962. The new order (S.I. 1960 No. 2364) provides that there shall be no disclosure without the written consent of the person carrying on the undertaking, except for the purpose of taking the Census or preparing the Census reports, or for the purpose of proceedings for an offence under the Statistics of Trade Act. The effect of this new order is that it is now forbidden to make disclosure to any other Government Department, whereas this was not previously prohibited.

#### Revised Index of Production

The Central Statistical Office has produced the provisional index of industrial production about a fortnight earlier than has previously been the case—that is to say, six or seven weeks after the end of the month to which it relates. This welcome improvement is to continue; it is made possible by the more rapid receipt of returns from industry. There is a minor disadvantage in that the preliminary estimate, which has appeared about a month after the date to which it referred, will be discontinued.

#### The National Finances of Canada

For the sixth year in succession the Canadian Tax Foundation of 154 University Avenue, Toronto 1, Canada, has issued a booklet—182 pages (price \$2 with reductions for quantities)—analysing the revenues and expenses of the Government of Canada in 1960/61. Except for those interested in the politics and finances of Canada, the book has, of course, only a passing interest, but to anyone seeking exact information it will prove invaluable. In concise and exact format it deals with the current fiscal and economic position, budget policy, the tax structure, expenditure programme, defence, veterans' pensions and other benefits, health and social welfare, natural resources and primary industries, transportation and communications and the various heads of expenditure.

#### New Stock Exchange Commissions

With the close of the last account of the old year the new commission scales of the Stock Exchange, London, the general nature of which was explained on page 660 of the November issue of ACCOUNTANCY, came into operation. They have been adopted without adjustment and represent a material improvement on the old system, which had remained in operation without any change of principle for over half a century. There is some speculation on how far they will in fact make the low-priced unit more popular, and whether the considerable number of companies which have refrained from splitting their shares because to do so would have made commissions higher under the old system will be led now to take this means of making their securities more readily available to the investor of modest means.

#### Simplification of Exchange Control Formalities

Since January 2 it has no longer been necessary to obtain Exchange Control permission for payments made outside the Sterling Area to cover imports of a value up to and including £2,000. At the same time the limit up to which Sterling Transfer Forms or Forms E must be completed by merchants in the United Kingdom before they can make payments to non-residents for goods purchased abroad and sold to any country outside the United Kingdom is also raised to £2,000. Announcing these simplifications H.M. Treasury calculates that they will mean 300,000 fewer forms to be completed each year. A leaflet giving guidance on details of payment procedure for imports is available at banks and at the offices of Collectors of Customs and Excise.

#### Company Law Committee

Minutes of the fourth and fifth days' evidence before the Company Law Committee under the chairmanship of Lord Jenkins have been published by H.M. Stationery Office (fourth day, price 3s 6d, fifth day, 4s). The witnesses on the fourth day were: *The Economist*, represented by Mr. R. E. Bird, Deputy Editor, Mr. G. Lee and Mr. F. Hirsch; Professor E. V. Morgan of the University of Wales; and representatives of the Trade Indemnity Company Ltd. On the fifth day the witnesses were the Registrar of the Companies Court, and representatives of the National Chamber of Trade and of the General Council of British Shipping.





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## EDITORIAL

### The Next Finance Bill

**D**URING the next few months much advice will be tendered to the Chancellor of the Exchequer on the contents of this year's Finance Bill. Although the published statements of the Council of The Institute of Chartered Accountants in England and Wales show that it has a lively interest in tax reform, it has confined itself mainly to the making of proposals in response to inquiries such as that conducted by the Royal Commission on the Taxation of Profits and Income. On February 6, 1957, as the result of a suggestion by representatives of the Board of Inland Revenue, the Council sent a memorandum to the Chancellor giving an order of priority for the implementation of the recommendations of the Royal Commission. The Council would normally confine itself to commenting on a Finance Bill when it is published, and in such comments would make suggestions designed to improve the administration of the provisions contained in the Bill or would direct attention to any unforeseen effects of the provisions. Towards the end of 1959, however, the Council sent to the Chancellor a memorandum proposing that the legislation relating to Overseas Trade Corporations should be extended to embrace trading income from non-resident subsidiaries, and proposing amendments to deal with certain anomalies within the scope of the existing legislation.

Amongst the recommendations of the Royal Commission to which the Council, in its memorandum of February, 1957, attached the highest priority, was one that income tax assessed under Schedule D should be assessed on a current-year basis. When submitting comments to the Chancellor on the Finance Bills of the last three years, the Council on each occasion drew attention to the need for this reform. Chartered accountants will be looking to the Chancellor to include the necessary amending legislation in this year's Bill, for, following this reform, many of the complications arising from income tax law would disappear. The reform would assist taxpayers assessed under Schedule D to understand the basis of the assessment of the tax they are called upon to pay. It would, moreover, enable chartered accountants to devote more time to other activities of use to clients.

Another of the recommendations to which the Council gave the highest priority was that the income chargeable to surtax under the legislation relating to "surtax" companies should, in the case of a "surtax" company which is not an investment company, be that part only of the company's undistributed income which it would have been reasonable to distribute. The Council has since reiterated this proposal twice; with its comments on the Finance Bills of 1959 and 1960.

Many other proposals of the Royal Commission to which the Council attached the highest priority have either not yet been or have only partly been the subject

of amending legislation. For example, the restrictive nature of the wording of the Schedule E expenses rule has long been recognised, yet the recommendation of the Royal Commission has produced no more than relief from tax on certain subscriptions paid to professional organisations; Sir William Carrington, in his address to the Institute's Autumn Meeting in 1958, aptly described this additional relief as "derisory."

The Royal Commission in its second report recommended that the starting point for surtax should vary with a taxpayer's family circumstances. This has brought only minor amendments, although the Council included the recommendation amongst those to which it attached the highest priority, and in a comment added that, in view of the fall in the value of money during the past two decades, the starting point for surtax should be put at a realistic figure. The Council also reiterated its view expressed to the Royal Commission that the total surtax liability of a husband and wife should be the aggregate of the amounts of surtax which would be payable on the income of the husband and wife if computed separately.

Another proposal, put forward by the Council at the time the Finance Bill, 1954, was under consideration, does not require legislation. The proposal was that a Finance Bill should be accompanied by an explanatory memorandum setting out briefly the intention of the various clauses in the Bill. This suggestion by the Council was repeated in its memorandum on the Finance Bill, 1956, and has recently been repeated by the President of the Institute in a letter to the Chancellor. The issue of an explanatory memorandum with each Finance Bill would be of great assistance to those engaged in industry and commerce and to chartered accountants and others interested in taxation. It would save a tremendous amount of unproductive time at present given by chartered accountants and others in endeavouring to understand the purport of each Finance Bill and would be of assistance to members of Parliament. It is difficult to understand why this suggestion has not already been adopted, for at some stage in the process of producing a Finance Bill Parliamentary draftsmen must be given instructions concerning the content of the Bill and there should be little difficulty in using the instructions as the basis for the memorandum which the Council has asked the Chancellor to issue.

It is to be hoped that this year the Chancellor will make a determined effort at tax reform and include provisions in his Finance Bill to deal with most, if not all, of the proposals to which the Council has attached the highest priority. The least he can do is to issue the explanatory memorandum suggested by the Council, so that those who have to study the Bill may know what it purports to mean.

## The New Year

*New Year message from the President of The Institute of Chartered Accountants in England and Wales, Mr. S. John Pears, F.C.A., to the members of the Institute.*

IN MY VIEW the future of the accountancy profession in this country depends on:

- (1) an adequate inflow of new Institute students of a good standard of education;
- (2) the education and training of such entrants in public accountancy to ensure their efficiency as chartered accountants;
- (3) the provision of information to chartered accountants in



Mr. S. John Pears, F.C.A.

practice, or in industry and commerce, on technical subjects to enable them to keep up to date;

- (4) the further training of members who desire to specialise, for example, in taxation or management services;
- (5) the provision of accommodation of a standard sufficient to maintain and enhance the Institute's reputation and to provide adequate facilities for its members and to house its Council, committees and staff under a single roof;
- (6) through the medium of a public relations service, the education of the public as to the many services which chartered accountants are able to give to industry and commerce and to private individuals.

All these matters are currently under examination and it is hoped that in 1961 some far reaching decisions will be made, the result of which will be to enhance considerably the reputation of the Institute and maintain its position as the leading body of accountants in the world.

During the latter part of 1960 two very important documents were issued by the Council, both being

revisions of previous announcements, the first in connection with the charging of fees; the second in connection with stock-in-trade. The year 1961 will be one in which these documents should be put into force effectively.

A fresh outlook on fees is required by many members. Fees cannot be imposed by a uniform rate of charges fixed by the Council based on time spent on any particular job. The time spent is one factor only and not necessarily the most important. Other considerations, as the Council has pointed out, are:

- (1) the skill and knowledge required for the type of work involved;
- (2) the seniority of the persons necessarily engaged on the work (principals, managers, senior clerks, audit assistants and other clerks).
- (3) the nature of the responsibility which the work entails.

The value of the work to the client is also of importance. It is unrealistic that this should be ignored. Fees are at present, in many cases, far too low, particularly in certain areas. Before an accountant fixes a fee he should satisfy himself that all the time spent has been necessary and that he is giving proper service to his client, and he should then have the determination, confidence and courage to ask the client for a proper fee. In most cases this will be obtained. Unless adequate fees are charged, the profession cannot attract to itself or retain on the practising side men of the right quality required to provide the services needed by clients.

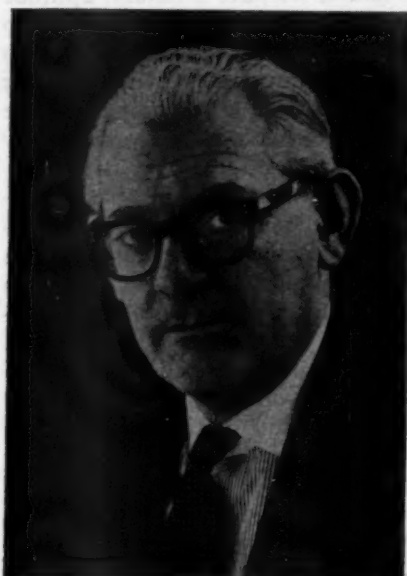
With regard to stock-in-trade, all members in industry, in commerce and in practice should examine carefully the recent recommendation, N.22. In my view it is a great advance on the previous recommendation, N.10. All members must realise that the obligations placed on management and auditors by the Companies Act, 1948, to see that adequate books and records are kept, and that accounts show a true and fair view, cannot be achieved unless all stock-in-trade is included in the accounts, valued on sound accounting principles, consistently applied. No auditor is carrying out his functions properly unless he takes reasonable steps to see that management has applied these principles in the preparation of the accounts which are the subject of his report. In my view the whole future of the profession and its standing with the public, with the Inland Revenue and in financial circles is dependent on greater attention being paid to valuation of stock-in-trade and work in progress than has been done in the past.



## Prospects for Industry in 1961

by Sir Julian Pode, F.C.A.

Managing Director, The Steel Company of Wales Ltd.



Sir Julian Pode, F.C.A.

COMMERCIALLY AND INDUSTRIALLY we have more obvious difficulties and troubles than we had a year ago. In fact, 1960 has seen the inauguration of a considerable credit squeeze, which has *inter alia* been operated by controls of hire purchase trading. This has been stated to have been the cause of severe depression in passenger cars and other consumer durables, but how far this was really the prime cause or merely the final straw that broke the camel's back is difficult to evaluate.

I hold the view that the buoyant passenger car production would have suffered in any event, in sympathy with the reduction in output that has occurred both in America and on the Continent. Furthermore, hire purchase facilities had obviously been extended unwisely, and by no means creditworthy individuals had obtained large sums in this way, and thus in self defence the hire purchase companies would have had to institute some measure of discipline themselves.

For 1961 we see a position of immense production and activity in the building and capital goods industries. We see retail cash trade at a

high level, unemployment low and shipping freights tending to rise. We have, of course, some depression in the passenger car industry and all those dependent upon it, together with the industries manufacturing consumer durables and railway material, but all in all the home trade, taken by itself, must present an all round picture which should satisfy most.

I think our difficulties are of a more subtle character and relate to the export trade—our balance of payments with the rest of the world, our eventual situation in Europe with E.F.T.A., our relations with the Inner Six and, finally, the inflationary tendency of contemporary wage settlements, which must affect our export prices. In Europe the Community countries have already anticipated a reduction in duties *inter se*

in advance of the time allowed by the Treaty of Rome, and thus our difficulties with exports to the Community countries must be enhanced. As against this, E.F.T.A. has become a reality, but it is obvious that the population of the E.F.T.A. countries and their relative capacity for trade expansion must be so much smaller than in the Community countries. In fact, the European trading scene is really more of a purely political problem at the moment than an economic one, and thus judgment of the economic circumstances of Europe for 1961 is almost impossible.

In the Commonwealth our major political difficulties are confined to Africa. There would seem to be no real reason why we should not look forward to some modest expansion of our trade with the Commonwealth countries.

In attempting to piece together the jigsaw puzzle, I feel we shall achieve a great deal in the export field in 1961, and I for one look forward to this year with optimism, albeit a little more restrained than last year.

## Prospects for Finance and Commerce

by Sir Gerard d'Erlanger, C.B.E., F.C.A.

Until recently Chairman of B.O.A.C. Now Chairman or director of a number of companies, including City & International Trust Ltd., General Consolidated Investment Trust Ltd., The Forestal Land, Timber & Railways Co. Ltd. and Provident Mutual Life Association

DEFLATION, INFLATION, REFLATION, technology, productivity, democracy, autocracy, "isms" of one sort and another, a shrinking world containing wide political chasms, maldistribution of population, too much oil, too little water, balance of trade and payments, Sixes and Sevens, influence of taxation—these are some of the ingredients which have to be put into the vat before we can attempt to assess what sort of vintage 1961 will be. If the list of ingredients were complete it would at least be easier to guess the out-turn, but there is a set which cannot be guessed or assessed, the "unknown and unforeseen" ones, and it is so often these which have the final influence.

Annually at the year-end various publications, newsreels, television programmes and the like feature a



Sir Gerard d'Erlanger, C.B.E., F.C.A.

review of outstanding events which have occurred in the preceding twelve

months. If some of us could have foreseen just a few of these we might have conducted our affairs very differently. What in fact I am saying is that "hindsight" is a cheaper commodity than "foresight," and yet in these few words I am expected to parade that very elusive commodity "foresight."

Assuming, which I have no right to do, that all will go according to plan in the world of 1961 (a non-existent plan as far as I am aware), what are the probabilities for finance and commerce in the Western group? Firstly, that our Western democratic governments, in their pursuit of pleasing everybody, are irrevocably committed to inflationary policies; it is only a question of at what rate. Secondly, that economic groupings in Western Europe are gathering momentum and making headway in popular appeal, although by no means universally so among all constituents and all sectors of constituents. Thirdly, a new administration takes office in the United States faced with vast domestic and inter-

national problems. Fourthly, that we live in an ever-shrinking world, thanks to the tremendous strides made so rapidly by modern communications, with the result that none of us can live or think in isolation any more: what we do today or tomorrow rapidly affects people thousands of miles away, and vice versa, and yet the shrinkage, like the candid camera, reveals in greater contrast the ideological chasms which divide it.

What does all this add up to?—one thing, surely, that commerce and industry and their handmaiden finance cannot and will not stand still and that those responsible for their policies and administration will be even more stretched in these highly complex and competitive spheres, and further that it is vital to the Western world to improve continually our ways and means of taking in each other's international washing for the over-all benefit of all concerned.

It is in this latter field that this country can and must play a leading role. We have now, by and large,

recovered from the impact of two world wars and, accustomed to adversity, we can be and need to be right at the heart of matters in the realms of finance and commerce. As a nation we have a natural aptitude for these which must be exploited to the full and this, of course, is not to the exclusion of the equally vital role of industry, in which mastery of the arts of technology and productivity is all-important.

To summarise: the problems confronting finance and commerce present an immense challenge in this ever-changing world, but I see no reason to believe that those responsible in this country are not well situated and qualified to meet the challenge which 1961 will produce, I see no reason to believe that we shall fail to adjust ourselves to this challenge, I see no reason to believe that by the end of 1961 we shall not be in a stronger position than we are now; but, as I said at the outset, there are the "unknown and unforeseen" which can have the final influence on the vintage of 1961.

## The Chartered Accountants' Benevolent Association

The principal object of the Association is the relief of necessitous persons who are or have been members of The Institute of Chartered Accountants in England and Wales, of their necessitous wives and children and of the necessitous widows and children of deceased members.

All members of the Institute are invited to support the Association by the payment of an annual subscription or by donation. Some members may also find it possible to mention the Association in their wills.

The Association is able from time to time to assist in finding accommodation in homes for aged members and their wives and for the aged widows of members in cases where a measure of care and attention is required which cannot be obtained by paying for it at normal commercial rates.

Enquiries should be sent to the Honorary Secretary at Moorgate Place, London, E.C.2.



Statements on Auditing Procedure, No. 30. September, 1960.

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## Responsibilities and Functions of the Independent Auditor in the Examination of Financial Statements\*

*The purpose of this statement is to clarify that section of the Codification of Statements on Auditing Procedure relating to the responsibilities and functions of the independent auditor in connection with his examination of financial statements. Since the issuance of the Codification in 1951, questions have been raised concerning the position taken therein regarding the responsibility of the independent auditor for the discovery of fraud (including defalcations and other similar irregularities), and concerning the proper course of conduct of the independent auditor when his examination discloses specific circumstances which arouse his suspicion as to the existence of fraud. The committee on auditing procedure believes that clarification is best accomplished by a restatement of the pertinent section of the Codification. Accordingly, the section of the Codification beginning on page 11 and ending at the top of page 13 is hereby revised as set forth in the following paragraphs:*

### Responsibilities and Functions of the Independent Auditor in the Examination of Financial Statements:

1. The objective of the ordinary examination of financial statements by the independent auditor is the expression of an opinion on the fairness of their presentation. The report is the medium through which he expresses such opinion. This examination is made in accordance with generally accepted auditing standards. Such standards require him to state in his report whether, in his opinion, the financial statements are presented in accordance with generally accepted principles of accounting and whether such principles have been consistently observed in the preparation of the financial statements of the current period in relation to those for the preceding period.

2. Management has the responsibility for the proper recording of transactions in books of account, for the safeguarding of assets, and for the substantial accuracy and adequacy of financial statements. The transactions which should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management; the independent auditor's knowledge is limited to that acquired through

his examination. Accordingly, even though the financial statements may show the influence of the independent auditor (for example, as a result of management's acceptance of his advice), the statements are the representations of management. The independent auditor's responsibility is confined to the expression of a professional opinion on the financial statements he has examined.

3. In the observance of generally accepted auditing standards, the independent auditor must exercise his judgment in determining the auditing procedures which are necessary in the circumstances to afford a reasonable basis for his opinion. His judgment is required to be the informed judgment of a qualified professional person.

4. The professional qualifications required of the independent auditor are those of a person trained and qualified to practise as such, but do not include those of a person trained for or engaged in another profession or occupation. For example, the independent auditor, in observing the taking of the physical inventory, does not purport to act as an appraiser, valuer, or expert in materials. Similarly, although the independent auditor is informed in a general manner about matters of commercial law, he does not purport to act in the capacity of a lawyer and is entitled to rely upon the advice of attorneys in all matters of law.

5. In making the ordinary examination, the independent auditor is aware of the possibility that fraud may exist;

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financial statements may be mis-stated as the result of defalcations and other similar irregularities, deliberate misrepresentation by management, or both. He recognises that any fraud, if sufficiently material, may affect his opinion on the fairness of the presentation of the financial statements, and his examination, made in accordance with generally accepted auditing standards, gives consideration to this possibility. However, the ordinary examination incident to the expression of an opinion on financial statements is not primarily or specifically designed, and cannot be relied upon, to disclose defalcations and other similar irregularities, although their discovery may result. Similarly, although the discovery of deliberate misrepresentation by management is usually more closely associated with the objective of the ordinary examination, such examination cannot be relied upon to assure its discovery. The responsibility of the independent auditor for failure to detect fraud (which responsibility differs as to clients and others) arises only when such failure clearly results from non-compliance with generally accepted auditing standards.

6. Reliance for the prevention and detection of fraud should be placed principally upon the maintenance of an adequate accounting system with appropriate internal control. The well-established practice of the independent auditor of evaluating the adequacy and effectiveness of the system of internal control by means of tests of the accounting records and related data and of relying on such evaluation and tests for the selection and timing of his other auditing procedures has generally proved sufficient for the purpose of expressing his opinion. If an objective of an independent auditor's examination were the discovery of all fraud, he would have to extend his work to a point where its cost would be prohibitive. Even then he could not give assurance that all types of fraud had been detected or that none existed because items such as unrecorded transactions, forgeries, and collusive fraud would not necessarily be uncovered. It is generally recognised that good internal control and fidelity bonds provide protection more economically and effectively.<sup>1</sup>

7. When an independent auditor's examination leading to an opinion on financial statements discloses specific circumstances which arouse his suspicion as to the existence of fraud, he should decide whether the fraud, if in fact it should exist, might be of such magnitude as to affect his opinion on the financial statements. If the independent auditor believes that fraud may have occurred which could be so material as to affect his opinion, he should reach an understanding with the proper representatives of the client as to whether the independent auditor or the client, subject to the independent auditor's review, is to make the investigation necessary to determine whether fraud has in fact occurred and,

if so, the amount thereof. If, on the other hand, the independent auditor concludes that any such fraud could not be so material as to affect his opinion, he should refer the matter to the proper representatives of the client with the recommendation that it be pursued to a conclusion. For example, frauds involving "lapping" accounts receivable collections, or frauds involving overstatements of inventory, could be material, while those involving peculations from a small imprest fund would normally be of little significance because the operation of the fund tends to establish a limitation.

8. The subsequent discovery that fraud existed during the period covered by the independent auditor's examination does not of itself indicate negligence on his part. He is not an insurer or guarantor and, if his examination was made with due professional skill and care, in accordance with generally accepted auditing standards, he has fulfilled all of the obligations implicit in his undertaking.

*The statement entitled "Responsibilities and Functions of the Independent Auditor in the Examination of Financial Statements" was unanimously adopted by the twenty-one members of the committee.*

#### COMMITTEE ON AUDITING PROCEDURE (1959-60)

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<sup>1</sup> In the case of fidelity bonds, protection is afforded not only by the indemnification for discovered defalcations, but also by the possible deterrent effect upon employees; the presence of fidelity bonds, however, does not affect the scope of the ordinary examination.

A company cannot contract outside its "purposes." The *ultra vires* rule may also affect the taxation and rating position. But if the "powers" in its memorandum can be construed as "purposes" the company has greater freedom.

## Purposes and Powers of a Company

By W. H. D. Winder, M.A., LL.M.

WHEN IT IS desired that a company which has been carrying on one business should cease to do so and change to another type of business, it cannot be assumed that this is legally possible. It may or may not be possible; the answer depends upon the memorandum of association, the wording of which must be construed in accordance with the judicial rules. And even if the objects clause of the memorandum is widely drawn, it may be desirable to alter its provisions in accordance with the procedure of Section 5 (1) of the Companies Act, 1948.

The latest application of the judicial rules of construction is to be found in the case of *Anglo Overseas Agencies Ltd. v. Green* [1960] 3 All E.R. 244. The decision supported a somewhat broad interpretation of the objects clause in question, and rejected a contention that the company was acting *ultra vires* when it switched from the import-export trade to property development. It was briefly noted in ACCOUNTANCY for October (page 560).

The operation of the *ultra vires* rule has practical significance in many connections. For example, comparatively recently it has assumed importance on the so-called "sale" of a company with tax losses. It is frustrating for a purchaser who thinks he will secure the tax benefit of these losses to find that what he wants to do through the company is something that the company cannot do. The purchase and sale of a company is not a complete legal novelty. Chartered corporations were marketed in the eighteenth century in a somewhat similar way, but the *ultra vires* principle did not apply so strictly.

### The Objects Clause

The objects clause of the memorandum of association of the plaintiff company in *Anglo Overseas Agencies Ltd. v. Green* set out in paragraphs (A) and (B) what could fairly be described as the company's main object. This was to act as exporters and importers of a wide variety of goods. Following the usual practice, there were added many other paragraphs. Paragraph (E) empowered the company to "acquire any concessions, contracts, rights . . . and to perform and fulfil the terms and conditions thereof, and to carry the same into effect, operate thereunder, develop and turn to account, maintain and sell, dispose of and deal with the same." The concluding words of the clause

provided that "the objects specified in any paragraph of this clause shall, except where otherwise specified in such paragraph, be in no wise limited or restricted by reference to or inference from the terms of any other paragraph or the name of the company."

The company wished to obtain from an urban district council the building lease of a valuable site in a London suburb. It was clear that it wished to go in for property development. Could it do so? The question arose in this way.

The company engaged the first defendant, an architect, and the second defendant, a firm of estate agents, to assist in obtaining the lease of the site. Later, the company brought an action against these two defendants, alleging that by reason of their conspiracy and breach of contract the building lease went to a competitor and the company lost the profits that it would otherwise have made. The defendants denied the alleged conspiracy and breach of contract, but, in addition, they took the point that the acquisition of the building lease would have been *ultra vires* the plaintiff company. This point was tried as a preliminary issue.

### "Main Objects" Rule of Construction

The defendants relied on what is sometimes referred to as the "main objects" rule of construction, namely, that where a memorandum of association expresses the objects of the company in a series of paragraphs, of which one paragraph, or the first two or three paragraphs, appear to embody the main object of the company, all the other paragraphs are treated as merely ancillary to this main object and as limited or controlled thereby. The principal purpose of this rule is the protection of shareholders, so that they may know how the money that they invest is to be used.

"The defendants as champions of this rule," said Mr. Justice Salmon, "have cast themselves in a novel and perhaps not overwhelmingly attractive role, for they say, in effect: 'Even if we have caused the plaintiff company, and accordingly their shareholders, serious damage by conspiracy to defraud them, yet we can escape all liability by reason of this very rule designed for the protection of the shareholders.'" Nevertheless, whatever the merits were, if the "main objects" rule did in law apply in this



case, then the piece of business in respect of which the company purported to engage the defendants was *ultra vires* the company, and the defendants would clearly have been entitled to succeed. On the preliminary issue it was ruled that the activity was not beyond the power of the company, and so the action was free to go forward on the allegations of conspiracy and breach of contract.

It was plain that the business of property development could not in itself be regarded as ancillary to the main object of importing and exporting. But the wording of paragraph (E), quoted above, was held not to be subject to an interpretation which made it ancillary to the main object. The wording was wide enough in itself to cover the development project and was "in no wise limited or restricted by reference to or inference from the terms of any other paragraph or the name of the company."

### Not an Ancillary Object

There was, however, a precedent (*Stephens v. Mysore Reefs (Kangundy) Mining Co., Ltd.* [1902] 1 Ch. 745) in which the very same form of words at the conclusion of the objects clause was considered, and it was held that it did not exclude the "main objects" rule of construction. Some textbooks suggest that this precedent is no longer law; see, for example, *Palmer's Company Law* (16th edition, page 59) and *Halsbury's Laws of England* (3rd edition, Volume 6, page 414). Mr. Justice Salmon found it difficult to ascertain the precise basis on which this case was decided, but doubted whether it meant that no form of words could exclude the rule. He thought that the precedent merely meant that the particular form of words was not apt to exclude the rule. Nevertheless, he declined to be bound by it and reached a different conclusion on the same form of words.

The *Stephens v. Mysore Reefs* case was not expressly overruled by the House of Lords in *Cotman v. Brougham* [1918] A.C. 514, the most important decision on the construction of objects clauses. The words before the House of Lords read as follows:

The objects set forth in any sub-clause of this clause shall not, except when the context expressly so requires, be in any wise limited or restricted by reference to or inference from the terms of any other sub-clause, or by the name of the company. None of such sub-clauses or the objects therein specified or the powers thereby conferred shall be deemed subsidiary or auxiliary merely to the objects mentioned in the first sub-clause of this clause, but the company shall have full power to exercise all or any of the powers conferred by any part of this clause in any part of the world, and notwithstanding that the business, undertaking, property or acts proposed to be transacted, acquired, dealt with or performed do not fall within the objects of the first sub-clause of this clause.

The House of Lords held that these words were sufficient to exclude the "main objects" rule, and thus there was nothing to be feared from the *ultra vires* doctrine.

But, although this was the actual decision, Lord Wrenbury in *Cotman v. Brougham* was very critical of the practice of drafting long and elaborate objects clauses with the purpose of allowing a company to do almost

anything. He said that there had grown up a pernicious practice of registering memoranda of association which contained paragraph after paragraph not specifying or delimiting the proposed trade or purpose, but confusing power with purpose and indicating every class of act which the corporation was to have power to do. The practice had arrived at a point, he thought, at which the function of the memorandum was taken to be, not to specify, not to disclose, but to bury beneath a mass of words the real object or objects of the company, with the intent that every conceivable form of activity should be found included somewhere within its terms.

This criticism does not seem to have had any effect on the practices of the draftsmen of company memoranda, which have not become noticeably shorter or simpler in the last forty years. Nor do draftsmen distinguish between the purposes of a company and its powers, as Lord Wrenbury recommended. Paragraph (E) of the memorandum in *Anglo Overseas Agencies Ltd. v. Green* was really dealing with the powers of the company rather than with its purposes or objects. Yet, because of the elastic concluding words of the objects clause, it had to be given an interpretation which extended the "objects."

It is in Section 2 (1) that the Companies Act, 1948, refers to "objects": "The memorandum of every company must state . . . the objects of the company." It is, of course, true that *vires* in the common law phrase means powers, but it is the statutory provision that prevails. If the company goes beyond its statutory "objects" it has no power in law to carry out other objects.

### Rating and "Main Objects"

The difference between the objects of a company and its main objects can make an important difference to its liability to pay rates. Under Section 8 (1) (a) of the Rating and Valuation (Miscellaneous Provisions) Act, 1955, organisations which are not established or conducted for profit, and whose main objects are charitable or are otherwise concerned with the advancement of religion, education or social welfare, receive favourable treatment. This provision was considered last year in the case of *In re North of England Zoological Society* [1959] 1 W.L.R. 773. In the course of his judgment the Master of the Rolls said:

As practitioners well know, those who draw up draft memoranda of association these days do not commonly err on the side of brevity. Here the objects of the society are contained in paragraphs which, after exhausting the alphabet from (a) to (z), then include (aa). It is clear when you look at them that some of the objects are plainly not main objects on any view; they are more in the nature of powers or are ancillary.

Putting aside those parts of the objects clause which were really only powers or were ancillary, the Court of Appeal isolated the main objects of the company. On examination these proved either to be charitable objects, or, if not strictly charitable, to be otherwise concerned with the advancement of education within the meaning of the Act. Hence the company secured the rating advantage.

The memorandum did, however, contain in the objects



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But for most legal purposes it is not necessary, or possible, to distinguish between the two categories of objects, at least when the memorandum contains a wide interpretation provision of the type used in *Anglo Overseas Agencies Ltd. v. Green*. Then, for the purposes of the *ultra vires* principle, the legal limits of the business of the company extend as far as the widest of the words anywhere contained in the objects clause.

## Our Friends the Bankers

[CONTRIBUTED]

WHAT is it about the banks? Some years ago "this column" remarked on the extraordinary way in which bankers and banking, never seeking the headlines, are always getting them; and the mystery continues unabated. Bank raids (with £1,000 rewards and £10,000 insurances), wages by cheque, the purchase of cheque sorting machines, the choice of the alphabet that is to translate our cheques into magnetic ink, bank salaries—the stream of news flows on. It would be much too facile an answer to say that money is of absorbing interest to almost everyone. There are others besides the bankers who can say "Money is our business"; but no such spotlight plays on any of the other money-callings as lights the banking scene.

Not that all, or even the greater part, of this free publicity is of a kind to gladden a bank chairman's heart. As we enter 1961 the man in the street, asked what the word "bank" made him think of, would probably say "raids." The raids have come in unprecedented numbers, and in two kinds: the daylight snatch and the midnight planned attack on the strongroom. The headlines that every successful raid is accorded cannot be welcome to anyone in the banks; but the general interest in the raids does reflect neatly the manner in which the public identifies itself with its banks. Advice on how to prevent them is offered in the popular Press, and the advice is crossly worded: although no customer loses his bank balance because of them, bank raids are a

public scandal. Banks and the safety of money have been synonymous for so long that the recent falling away has tarnished a kind of father figure, and we don't like our father figures to be tarnished.

During 1960 the Payment of Wages legislation has brought banking a more encouraging kind of publicity. Countless columns have been written on the social revolution that wages through a banking account would engineer, and no wage-earning reader of the newspapers can have avoided the words of counsel that have been so freely given him. The banks, as is their habit, have kept silent about it all; but it has been suggested that, welcome as new business must always be, any sudden great influx of new private customers might well be an embarrassment at a time when business is already booming and working hours are already long. The onlooker may wonder whether in fact there will be any rush by wage-earners to avail themselves of their new opportunities. A banking account, like vodka, is by way of being an acquired taste; the man who has been used to having cash in his hand every Friday may take some little time to be converted to it.

By the time he is converted, electronics and centralised bookkeeping may be helping the banks to welcome him. At least one computer is going into action this spring; and any moment—or, at least, any year—now we shall be seeing on our cheques the magnetic strip we have been hearing about for so long. We

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In the context of bank raids and bank charges, kicking the banks seems to be a popular journalistic pastime; certainly, overall bank publicity is less than uniformly favourable. Yet the interest is perennial. As this issue of ACCOUNTANCY appears the bank chairmen's statements will have been published, and will have received their columns of comment. Why and when did these January reviews of the economy acquire their present reputation, a reputation allowed to no other group of people? The bank profit figures will have been canvassed, regardless of the fact that the balance sheets in which they appear are not proper balance sheets at all. The bank dividends will have been discussed; a new banking year will have begun, and a new round of publicity commenced. It is obviously a matter for the psychologists: there is clearly a significant love-hate relationship between customers and bankers, and when we are tempted to wonder why they bother to advertise at all, when they get so much publicity for nothing, we find our answer there. They want to be loved, and the advertising is their attempt at dispelling the hate part of it.



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# Retirement Benefit Schemes

By J. H. Hubert Nuttall, F.C.A.

## I. Introduction

1. It must be conceded from the start that the main purpose of a retirement benefit scheme is to provide benefits on retirement, but few employees would be willing to contribute to such a scheme if these were the only benefits. For each employee who stays with the same employer until retirement, there are many who move to other employment and some who die; therefore alternative benefits should be provided for circumstances such as these. These benefits must, however, be subsidiary to pension benefits. In many schemes additional benefits are provided on death which have no counterpart in the pension payable on retirement, but it is wise not to carry these subsidiary benefits too far in a scheme which is designed primarily to provide pension.

2. It is not, however, always conceded that a retirement benefit scheme should provide adequate pension, and during the last fifteen years or so, owing in large part to the exceptional conditions obtaining, some schemes which were previously thought to be adequate have proved not to be so. If we are to approach this matter from a practical point of view, we must establish right at the start what we consider to be an adequate pension benefit. This conclusion can only be based on the salary or wage level expected to be reached at retirement and on the various State pensions which will be available to maintain the employee after retirement.

3. Irrespective of the angle from which the employer views the pension provision he is making for his employees, the employee himself will compare it with his final salary or wage, and there is little doubt that a scheme which has some definite relationship to final salary, whether it be salary at retirement or the salary averaged over the final years of employment, is the one which gives an employee the most satisfaction.

4. What level of pension on this basis is adequate is a matter of varying

opinion; but we can assume that if total income from State and occupational schemes lies between 60 per cent. and 80 per cent. of final salary or wage according to the level of pay reached at retirement, then the retirement benefit scheme is reasonably adequate.

5. The majority of funds are constructed to give alternative benefits on retirement or death, and the three most usual ways of carrying this out are by means of:

- (a) a provident fund
- (b) an endowment policy, or
- (c) the provision of deferred annuities, coupled with separate lump-sum death benefits.

6. A provident fund provides no pension; it consists solely of contributions paid into the fund by the employees and usually also by the employer, and these amounts with interest, sometimes at a guaranteed rate, are paid to the employee on retirement or to his next of kin on death. A provident fund may not be considered a genuine retirement benefit scheme and I do not intend to refer to this particular class of scheme again.

7. Some years ago the purchase of endowment policies was a popular form of providing pension, but the expense of providing, as a corollary, exceptionally large death benefits and the difference in the taxation treatment of these policies from other methods of providing retirement benefits (see paragraph 69), has resulted in this method losing much of its former popularity. To provide a given pension at age 65 an endowment policy must be purchased for at least ten times the amount of pension required, and naturally this provides in addition to the pension benefit an exceptionally high pre-retirement death benefit. This high death benefit cover adds considerably to the cost of providing pension by this method, and it is more suitable for special circumstances such as top hat schemes than for the normal whole-life retirement benefit scheme.

8. The purchase of deferred annuities is now generally regarded as the most suitable method of providing pension. Under this arrangement either a predetermined contribution produces a variable pension, or alternatively a predetermined pension is obtained by the payment of variable contributions. Deferred annuities can either be purchased through a life office, or obtained by means of a privately administered trust fund in which the relationship between contributions and pension is determined by actuaries, or by a combination of both. This method is most adaptable and can be used to fit almost any given set of circumstances.

## II. Basic Principles for Pension

### Deferred annuities

9. Schemes designed to provide retirement benefits by way of deferred annuities normally do so on one of three bases:

- (i) money purchase
- (ii) average (or career) salary
- (iii) final salary (usually averaged over a number of years).

10. In a money purchase scheme the contributions by both the employee and employer are fixed and the pension emerges. Contributions can be expressed in relation to salary—for example, as a percentage—or as a fixed amount irrespective of wages or salary. The contributions by the employee and the employer may be equal or unequal either individually or as a whole. The pension which emerges is based on the amount of the contributions and tables of pension rates, which vary according to the age of the contributor at the time the contributions are made, as determined by an actuary after taking into account all the relevant factors arising from interest, mortality, withdrawal, etc.

11. In an average salary scheme, the amount of pension is determined each year for each employee, and is based on the salary for that year, normally determined by reference to a given date. The



relation of pension to salary or wages may be the same for all employees—for example,  $1\frac{1}{2}$  or 2 per cent. of salary, or it may vary according to the level of pay, in which event it is usually at a lower rate for the lower paid employee for whom the State provides a larger portion of his retirement income than it does for the higher paid employee. Thus the pension acquired during the year for an employee earning

|              |                            |
|--------------|----------------------------|
| £500 may be  | £5 (1 per cent.)           |
| £800 " " "   | £10 ( $1\frac{1}{2}$ " " ) |
| £1,000 " " " | £15 ( $1\frac{1}{2}$ " " ) |
| £2,000 " " " | £40 (2 " " )               |

The total contributions required to purchase each employee's pension vary according to his age and the amount of pension which has to be purchased. It is customary in a scheme of this nature for the employee's contributions to be fixed at a definite relationship either to salary (where the rate of pension is the same for all) or to the amount of pension purchased, and the employer must foot the bill for the balance of the contributions required.

12. In the final salary fund the pension is based on the salary at or near retirement. It can be expressed in the same way as in the case of the average salary fund, but instead of being the percentage or fraction of each year's salary, it is the percentage or fraction of the average of the last ten, five, or three years' salary, or even occasionally of the last year's salary, the fraction or percentage being multiplied by the years of service.

13. This type of scheme is welcomed by the employee since he knows from the beginning what level of income, in relation to his final salary, he will receive after retirement. For the employer, however, the scheme has certain dangers, especially when over the final years of working life there has been some considerable inflation resulting in a steep increase in salary levels generally. In such circumstances, if final salaries have not been carefully and realistically estimated, the cost of providing the pension required to correct the under-assessment of salary can become very expensive in regard to employees with long service who are nearing retirement.

14. It is an interesting exercise to compare schemes drawn up on each of these three bases from the point of view of both the pension and the cost to the employer. In Appendix A are set out figures of pension and cost arising from schemes using the money purchase and average salary bases with certain common assumptions as to rates of pension and salary increase. Figures are not included for a final salary scheme since

the pension appropriate to any given period of service is easily calculated and the cost to the employer depends to a large extent on his periodical assessments of final pensionable salary.

15. Appendix A assumes a rate of salary increase of 4 per cent. per annum

and a rate of interest earned by the fund of 4 per cent. per annum also. If the final salary scheme basis is one-eightieth of average salary over the last three years, for each year of service, the comparative figures of pension for varying periods of service are:

| Service  | Money purchase<br>Pension from<br>10% contribution | Average Salary<br>Pension of<br>2% of salary | Final Salary<br>Pension of 1/80th |
|----------|--|--|-----------------------------------|
|          | £  | £  | £                                 |
| 40 years | 1,081  | 1,046  | 1,220                             |
| 35 "     | 913  | 986  | 1,068                             |
| 30 "     | 759  | 913  | 915                               |
| 25 "     | 614  | 825  | 763                               |
| 20 "     | 478  | 718  | 610                               |

From these figures it will be seen that although after long periods of service a pension of 2 per cent. of average salary and one based on a 10 per cent. contribution are approximately equal, the 2 per cent. average salary basis provides a considerably higher pension for service of thirty years or less, the difference becoming more marked the shorter the service. The final salary scheme based on eightieths, on the other hand, for short service falls between the other two but for long service comes out easily the best. Different bases would of course produce varying results.

16. Because a money purchase scheme is based on fixed contributions and those paid at the younger ages provide a greater interest accumulation than those at later ages, the bulk of the pension in a scheme of this type tends to be purchased early in a member's life. In an average salary scheme, however, the bulk of the pension is purchased in the later years when the salary is highest and because it is purchased nearer to retirement it costs more as is indicated by the following summary in five-yearly periods of pension and cost as set out in Appendix A.

17. The average salary scheme has one further advantage. In a member's early years in a scheme, the employee's own contributions are normally more

than sufficient to purchase the required pension and therefore the employer is not called upon—in theory at least—to make any contributions towards the employee's pension until the employee has reached an age at which he is less likely to change his employment.

18. When deciding the type of scheme most suited to the circumstances, therefore, it is essential to bear in mind not only the final pension figure required and the cost of providing that pension, but also the rate of turnover and the average length of service obtained or likely to be obtained by those who reach retirement age.

#### Endowment policies

19. The endowment policy method of providing pension benefits is now restricted mainly to top hat and other schemes of a similar type. The reason for this is largely due to the high cost which results from the exceptionally high death benefit inherent in the policy. In the case of a long-service employee who is perhaps due to retire on half pension, the capital value of the policies covering his pension must always be at least five times his salary, and in his early years it may be even higher if based on his prospective retiring salary. If his pension rights are greater than this, then

Summary in five-yearly periods of figures in Appendix A

| Age Groups | Money purchase basis |            | Average Salary basis |        |
|------------|----------------------|------------|----------------------|--------|
|            | Pension              | Cost (10%) | Pension (2%)         | Cost   |
|            | £                    | £          | £                    | £      |
| 25-29      | 168                  | 298        | 60                   | 107    |
| 30-34      | 154                  | 363        | 73                   | 172    |
| 35-39      | 145                  | 442        | 88                   | 271    |
| 40-44      | 136                  | 537        | 107                  | 426    |
| 45-49      | 128                  | 653        | 131                  | 670    |
| 50-54      | 122                  | 795        | 159                  | 1,041  |
| 55-59      | 116                  | 967        | 193                  | 1,627  |
| 60-64      | 112                  | 1,175      | 235                  | 2,471  |
|            | £1,081               | £5,230     | £1,046               | £6,785 |

the death benefit increases proportionately and the man who is due to retire on two-thirds pension would have to be covered for six and two-thirds of his salary.

20. In a top hat scheme, however, this relationship between death benefit and pension is not such a disadvantage. Such policies are not usually taken out until later in working life, when the risk of death is greater than it is at the younger ages. Nor is the pension provision at the same level as in the normal retirement benefit scheme. Further, if policies in the top hat scheme are effected by the employer in lieu of increases in salary, the employee who is liable to surtax may sacrifice a comparatively small amount of net income in exchange for the additional pension rights. Some employees late in life become bad lives from an insurance point of view, and this type of benefit may provide additional life cover, without a medical examination, which would not be available if they were to approach the life office direct as a private individual. Finally, there is the overriding benefit that one-quarter of one's total pension rights may be taken in the form of a tax-free lump sum if this figure is within the benefits of the top hat policy.

21. Top hat schemes seem generally to be applied to senior management and executive personnel, but there is no reason why such schemes should not apply to staff generally if it is desired to provide tax-free lump-sum payments at retirement in addition to pension benefits. In certain circumstances it may also be a way of providing additional pension benefit when it is too late in life to provide it by means of the normal retirement benefits scheme.

#### *Non-contributory schemes*

22. Although it is difficult to obtain reliable figures, there are indications that the non-contributory type of scheme has been gaining ground in recent years, more particularly in the case of works schemes where the turnover is high. In these circumstances the administrative work is very considerably reduced.

23. From the employee's point of view, however, a non-contributory scheme is not always the best, as the pension must naturally be smaller than it would be if his contributions were added to those of his employer. Further, in some non-contributory schemes there may be no benefit on death and often there is no benefit on withdrawal. Since the employee does not contribute it is unusual for him to have any say in the direction or administration of the scheme, and

unless the basis is exceptionally generous—as some non-contributory schemes are—this may lead to an indifferent attitude in the employees and possibly as a result to an inadequate, out-of-date pension scheme.

24. A non-contributory scheme is often used to provide back service benefits, which are in any event paid for solely by the employer. Such a scheme may have certain advantages over an arrangement by which the employer's payments to meet back service pensions are made to the contributory scheme. Since the liabilities are carefully scheduled and arrangements will be made to liquidate them by payments of a fixed annual sum for a number of years, it is possible, if the liabilities become less due to death or withdrawal, for the later payments to be scaled down or even omitted entirely.

### **III. Death Benefit**

25. The provision of the death benefit which is almost always associated with a retirement benefit scheme varies according to whether death occurs before or after retirement, and I propose to deal with these circumstances separately.

#### *Before Retirement*

26. In a contributory scheme it is normally the custom in any circumstances to repay the member's contributions, and therefore this sum becomes the lower limit of benefit on death. Originally the upper limit was the actuarial value of the pension earned to date, but in recent years the majority of schemes have not tied themselves to a death benefit which bears any specific relationship to the pension either earned to date or expected to be earned at retirement.

27. The benefit can consist of

- (i) a lump sum or
- (ii) a pension or
- (iii) both lump sum and pension.

In the majority of cases a lump sum is payable. This sum varies in different schemes between a return of the deceased member's contributions and the very high cover obtained in an endowment scheme. Due in part to the influence of the life offices on pension schemes, the most common benefit now amounts to the member's contributions and approximately one year's salary or wages.<sup>1</sup> In my view this benefit is insufficient in these days, when the habit of saving has largely

departed. The cost of group life assurance is so cheap, compared with the need it satisfies, that I cannot understand why larger sums are not more generally involved where the death benefit is of this nature.

28. Although the importance of an adequate pension is now more fully realised than it was, employers do not seem to have appreciated as fully the financial position in which a married employee's family is placed after his death. If it is decided that the benefit on death is to take the form of a lump sum, then it should be a much larger one than a return of the member's contributions and one year's salary.

29. In Appendix B I have set out the death benefit which would be payable if the member's contributions were refunded together with three years' salary. From age 46 that part of the benefit which is related to the salary figure is reduced by 10 per cent. of salary each year until at age 65 the benefit has become the sum of the contributions and one year's salary. This gradual reduction in the ratio of the death benefit to salary has certain advantages. It checks the increase in the amount of the additional life cover at ages when it becomes relatively expensive and it reduces the benefit gradually to a figure at age 65 which bears a reasonable relationship to the death benefit normally payable immediately after retirement. A benefit of this nature provides, at a very modest cost, reasonable cover in early life before the individual has much opportunity of providing otherwise for his dependants.

30. The availability of large sums of money to persons unused to dealing with them, however, may lead to difficulties in many ways and I would prefer to see the death benefit mainly satisfied in the more useful and permanent form of a pension—at least for married men.

31. The ideal is perhaps to provide both lump sum and pension by making the benefit the return of the member's contributions or (say six months' salary or wages, whichever is the greater, and a pension of perhaps one-third of the husband's prospective pension based on a continuation of his salary current at the time of his death. It is not sufficient to base the widow's pension on the amount of her husband's pension earned up to the date of his death, since this basis does not meet the need when an employee dies under (say) age 45 possibly leaving young children, the time when the need is greatest. In these circumstances it is perhaps wise to arrange for the pension to cease if the widow remarries.

<sup>1</sup> In a survey carried out by the Industrial Welfare Society in 1956, out of 159 staff funds over 100 gave a benefit of the refund of member's contributions plus one year's salary or less.



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32. Thus the widow of an employee who dies at age 40 after fifteen years' service while earning a salary of £1,000 per annum and who would have earned for his prospective forty years' service a two-thirds pension, will receive a lump sum of perhaps £600 contributions (see Appendix B) and a pension of £222 per annum. Bachelors would not normally favour a death benefit consisting of a pension, and therefore they should be given a lump sum on the lines suggested earlier.

33. The cost of any death benefit above the return of the member's contribution should be met by the employer either out of his normal contribution or by an additional payment, as is desired in the circumstances of each scheme.

#### After retirement

34. By far the most usual form of benefit on death after retirement is to guarantee the pension for a minimum of five years. As the value of a pension for a man at age 65 is between ten and eleven times the annual figure, this means that normally he is guaranteed a return of at least his own contributions with interest. Sometimes pensions are guaranteed for longer periods, but this has the effect of reducing their value. The following can be regarded as typical interchangeable figures of pension:

| Pension                   | Per annum |
|---------------------------|-----------|
| Ceasing on death          | £100 0 0  |
| Guaranteed for five years | £97 10 0  |
| Guaranteed for ten years  | £90 15 0  |

35. In so far as these benefits guarantee the return in pension of the pensioner's own contributions they are admirable, but unless they are backed up by some provision for a surrender of a part of the member's pension in order to provide for his widow, he is unable to provide from his pension any income for his widow if he dies more than five years after retirement. Many funds offer this benefit of surrender which may be exercised or not at the discretion of the pensioner, to a degree to be decided by him, provided that his reduced pension is not less than his prospective widow's pension. Other funds offer the one alternative of a joint life and survivorship pension, in which case the reduced pension which is payable while both husband and wife are alive continues unchanged until both are dead.

36. Where a widow's pension is available in exchange for a surrender of pension, this exchange should be available in all cases as a right, and not denied to those most requiring it because they are not in good health.

37. It is surprising how small an amount of pension may have to be surrendered in order to provide the widow with an income of between one-half and two-thirds of the joint income received while her husband was alive, as the following example demonstrates.

|                          | Joint<br>Income<br>£ | Widow's<br>Income<br>£ |
|--------------------------|----------------------|------------------------|
| State pension            | 208                  | 130                    |
| Occupational<br>scheme   | 350                  |                        |
|                          | 558                  |                        |
| Pension surren-<br>dered | 60 provides          | 154*                   |
|                          | £498                 | £284                   |

38. If a married man's total retirement income is just below the £500 level before making any provision for his widow, it is important to consider the incidence of taxation in the light of the special concession given to persons over age 65. Under this concession a married man is exempt from tax where the total income does not exceed £440 per annum but is taxed on each £1 of income over this figure up to £489 per annum at a special rate of 9s. in the £. If his total pension income therefore is £490 it will cost him only 11s. in the £ to surrender £50 of his pension for his widow.

39. The payment of a lump sum on death after retirement is unusual, and yet there may well be other accounts to settle besides the funeral bill. The payment by the State of a funeral benefit of £25 is today a mere token of the original intention. In my view a small cash payment should always be made in these circumstances, and especially is this important when there is no continuing annuity.

#### Estate duty

40. Whenever death occurs, if the estate of the deceased member is over £3,000 it may be liable to estate duty. These payments of estate duty can bear hardly on widows, who at such times need all the financial help they can get. It is politic therefore to arrange the benefits in such a way that as little estate duty as possible is payable.

41. Estate duty is normally avoided altogether if the trustees have a complete discretion as regards the persons to whom the death benefit shall be paid. In other circumstances, such as when a

widow is provided with a pension because her husband surrendered part of his pension before retirement, the capital value of the widow's pension may be treated as an estate by itself and not liable to aggregation, thus reducing not only the amount of the duty on the death benefit, but also the rate on the rest of the estate.

42. The question of estate duty liability is fraught with pitfalls and the wise administrator will secure the best advice available in framing his rules so as to avoid leaving the widow, in particular, to face a greater liability than may be necessary.

#### IV. Withdrawal Benefit

43. It may seem obvious to record that one of the main differences between contributory and non-contributory schemes is to be found in the withdrawal benefit.

44. In a contributory scheme the member always has the right to a return of his own contributions, sometimes with interest added and sometimes less a deduction for income tax, where appropriate (see paragraph 64). The payment may vary slightly according to whether the reason for withdrawal is due to the member leaving of his own accord, redundancy or ill health, but the sum of the member's own contributions is normally the minimum amount of the refund.

45. Except in special circumstances such as ill health, the Revenue will not permit the employer's contributions to be repaid to the member in a lump sum as a withdrawal benefit. Some schemes, however, allow the employee, as an alternative to a cash refund, the right to preserve the pension rights arising from his own contributions. If the benefit is taken in this form it can be extended to part or all of the pension rights arising from the employer's contributions, but this extended right is sometimes subject to certain qualifications, e.g. redundancy, long service.

46. In a non-contributory scheme, as there are no members' contributions to be refunded, the only benefit available is some form of preservation of the pension rights arising from the employer's contributions, but this benefit, since it is provided entirely by the employer, may depend on qualifications similar to those mentioned in the previous paragraph.

#### Preservation of pension rights

47. Prior to 1939 or even later, preservation of pension rights on withdrawal was rarely granted. In those days a pension was a reward for long service.

\* Assuming wife less than one year younger than her husband. If she is ten years younger only £94 would be provided.

With the changed conditions in the last 10-12 years during which adequate saving for retirement other than through a pension scheme has become largely a thing of the past, it has become acutely more necessary to preserve as far as possible the pension which has been earned. During the last 4-5 years more and more employers have come to appreciate this, and there is an ever growing proportion of employees in both contributory and non-contributory schemes who are now able to preserve at least a part of their pension rights when they move from one employer to another.

48. Pension rights can be preserved in two ways: by transferring a capital sum equivalent to their value to another scheme, or by providing a paid-up right in the scheme to which the contributions have been made. Both methods have their difficulties.

49. A transfer of rights is not always possible. Schemes receiving approval by the Revenue under Section 379 of the Income Tax Act, 1952, for example, may not transfer sums to schemes not so approved without the express permission of the Revenue, which can be obtained in certain cases<sup>3</sup> if the transfer rule has the requisite wording. Nor do all schemes contain a rule permitting them to receive such transfers!

50. Preservation by giving a paid-up benefit is simpler, but may throw additional financial and administrative burdens on to the scheme itself. The ideal solution is, I am sure, to provide both as alternatives.

51. There appears to be a tendency among employers to consider the question of preservation in the light of "all or nothing," and because they do not want to give all they give nothing. It is perfectly reasonable that an employer should feel that the pension provided by his money should not automatically vest in the employee from the day he joins the company, but there is little, if any, reasonableness in saying the same about an employee with twenty years' service behind him. Nor do I consider equitable a rule allowing the trustees to decide how much (if any) pension should be capable of preservation. Preservation of pension rights may be a most important factor on a change of employment, and the employee should be able to assess his rights without disclosing his intentions to his present employers.

52. Little will be lost by giving members the right to transfer a sum equivalent to the pension arising from their

own contribution irrespective of service, and the employer should decide what further qualifications are necessary before this right is extended to the remainder of the pension earned to date.

53. The introduction of the graduated State pension scheme in 1961 (see paragraph 107), with the necessity for employers to preserve a minimum pension right for withdrawing employees who are in "non-participating employment," will cause more consideration to be given to this whole question of preservation. It is to be hoped that those schemes which of necessity make this benefit available for the first time will not stop at the level prescribed by the National Insurance Act, 1959.

#### *Redundancy*

54. When an employee is discharged as redundant it is not possible, no matter how desirable it may be, to improve to any great extent the value of the cash lump sum benefit, since the Revenue will not normally allow any payment of employer's contributions to a withdrawing employee in the form of a lump sum other than as a commuted pension; but if preservation rights are available, the qualifications can be lowered and these employees can thus be given more valuable rights than those who leave of their own accord. It may also be found advantageous, especially in works schemes, to take power to treat a redundant employee as not having left the scheme until a further period has elapsed, so that if he returns within the specified period he may retain his rights to an unbroken pension.

#### *Ill health*

55. When withdrawal is necessary on grounds of ill health, benefits similar to those given in cases of redundancy ought to be provided. Employees forced to leave in such circumstances, however, too often wish to withdraw all they can from the scheme in order to set up a business within their physical capability from which they can obtain a living. It is therefore wise to incorporate the maximum commutation rights which the Revenue will allow in such circumstances.

56. Some employees are also forced, for reasons of ill health, to retire prematurely. Most schemes have power to pay a pension from an age earlier than the normal retirement age, and this early pension is usually less than the normal pension for two reasons:

- (i) contributions from the actual date of retirement to normal retirement age are unpaid

- (ii) the period of payment is likely to be longer than would have been the case had retirement been deferred to the normal age.

57. If early retirement takes place because of ill health, the second of these reasons is often less cogent, and retirement generally, if not always, will have received the approval of the company, which may even have recommended it. In such cases, therefore, there are stronger reasons for more generous treatment than there would have been if retirement at the early age was voluntary. Many schemes, but not by any means all, contain special provisions for paying a larger pension than the reduced equivalent of the normal pension when early retirement is on account of ill health.

58. There is no standard method of carrying out this intention, which must depend to some extent on the type of scheme concerned. The magnitude of the concession may also vary according to the age of actual retirement and the service already given. The important decision is the one admitting the principle that special consideration should be given to the pension of an employee forced to retire on account of ill health.

59. This decision leads straight to one of the difficulties. How ill does an employee have to be to qualify for any concessionary treatment? Admittedly the answer is not easy, and it is necessary to fix some yardstick, otherwise unfair treatment may be given as between one employee and another. It is often easier to assess fairly the problem in any individual case if all employees retiring on ill-health grounds are considered by one doctor, but this does not relieve the directors or the trustees from taking the final decision.

60. It should also be remembered that the bigger the concession given to ill-health cases the harder it may be to determine a fair solution in borderline cases. Fortunately, with the improvements in medical treatment over the past decade, cases of early retirement are fewer than they were twenty years ago, and therefore, while still important to the individual, the problem is becoming easier for the trustees of the scheme.

#### *V. Taxation*

61. It is impossible in this brief paper to set out at any length either a complete picture of the various reliefs which can be obtained for schemes of different kinds or the variety of rules and regulations applying to the "approval" of a scheme by the Commissioners of Inland Revenue. The Millard Tucker report in

<sup>3</sup> For example, the United Kingdom Atomic Energy Authority.



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paragraphs 46-137 gave a very full summary of the law and practice of taxation of retirement benefit schemes at that time. This has, of course, been extended by the 1956 Finance Act, which gave tax exemption to assurance companies on interest from so much of their annuity funds as referred to pension annuity business<sup>4</sup> and extended to individuals complete tax relief within certain limits on premiums paid to secure an annuity contract approved by the Revenue, having as its main object the provision of a life annuity in old age.<sup>5</sup>

62. The greater proportion of retirement benefit schemes are submitted to the Revenue for approval under either Section 379 or Section 388 of the Income Tax Act, 1952. Irrespective of the Section governing approval, the employer's contributions are allowed as a charge against profits, although in certain circumstances, for example, when the employer is paying a capital sum to clear a back service liability, the charge has to be spread forward over ten years, and the employer may therefore prefer to make the actual payments over the same period.

#### Section 379

63. Approval under Section 379 allows the employee to charge his contributions as an expense for tax purposes and the income on investments to be received gross. Because of these considerable concessions, the Revenue has adopted a number of safeguards against abuse. Most of these restrictions are well known to those versed in obtaining Revenue approval for schemes, but as they are constantly changing one can never be quite sure of what will be accepted. The Revenue fixes its own regulations regarding approval and is always ready to discuss a point of difference where some compromise is possible.

64. Since the build-up of a Section 379 scheme is virtually tax free, the Revenue insists on taxing all benefits received by the contributing member and insists that lump sums cannot be paid unless the member leaves the service of the employer or his pension is commuted in exceptional cases of serious ill health, or because it is trivial in amount.<sup>6</sup> Tax on annual pensions is assessed at normal rates on the individual pensioner, generally through the P.A.Y.E. machinery. However, on lump sums paid on withdrawal or on commutation, tax is due at one-quarter of the standard

rate at the time the benefit is paid. Since this tax is a special assessment it is assessed on the trustees, who may recover it by deduction from the benefit paid to the beneficiary if the rules empower them to do so. In this event tax is payable only on the net amount paid to the member.

65. Other restrictions on Section 379 schemes include a limit on contributions by the employee to 15 per cent. of salary; contributions on a given basis once commenced may only be reduced in circumstances of hardship;<sup>7</sup> a maximum pension of two-thirds final salary<sup>8</sup> or £3,000<sup>9</sup> whichever is the less; early retirement on pension may take place only within ten years of normal retirement age except in cases of ill health.

66. In addition to these restrictions an undertaking is now required from the trustees regarding the extension of the scheme to other employers, the admission of directors, the provision of augmented pension benefits in excess of one-sixtieth of salary for each year of service for certain specified groups of persons. This undertaking places a most invidious responsibility on the trustees, and the sooner the Revenue can be persuaded to modify this treatment the better.

67. In spite of all the restrictions and difficulties, more and more schemes are submitted under Section 379, because this type of approval allows the greatest saving of tax, thus enabling higher pensions to be provided.

68. Owing to the fact that lump-sum payments at retirement are not normally permitted, any part of a scheme which provides a lump-sum retirement benefit is disapproved. Normally payments for "disapproved" benefits are met out of the employer's contribution, which is allowed as a charge against profits in any event, but a proportion of the investment income is taxed. To avoid this split of investment income between taxed and free-of-tax income, it is possible to arrange for the scheme to be, for example, 80 per cent. funded, the employer restricting his payments accordingly. The percentage fixed should be sufficient to maintain solvency as regards pension benefits, and the lump-sum payments are then made direct by the employer, who regards them as part of his contribution. Alternatively, the lump-sum benefits may be made the subject of a separate scheme.

<sup>7</sup> This restriction has now been relaxed.

<sup>8</sup> May be exceeded if retirement is deferred.

<sup>9</sup> This restriction, which was raised from £2,000 in May, 1960, does not apply to non-contributory schemes.

#### Section 388

69. Approval under Section 388 is not as far-reaching as approval under Section 379, and for this reason many of the restrictions and safeguards applicable to Section 379 schemes do not apply. If paid to a life office the employees' contributions are treated for tax purposes as life assurance premiums. The interest on investments is taxable, although the rate varies according to whether the scheme is privately administered or placed with a life office and whether providing deferred annuities or endowment assurances. When the scheme is to provide pensions or deferred annuities, the amount of pension paid in any tax year can be set off against income from investments and tax recovered on this sum. If the scheme is placed with a life office this right of set-off applies to the life office pensions business as a whole (excluding schemes approved under Section 379) and not to the individual scheme. The benefits of a scheme under Section 388 need not be taken wholly as a pension; up to 25 per cent. of the pension can be taken as a lump-sum payment free of tax. Nor is tax payable on withdrawal benefits.

70. It will be obvious that Section 388 approval will suit top hat schemes or schemes dealing with lower-paid employees who pay tax at rates covered by life assurance relief or schemes where there is a very considerable turnover of employees, but since the Finance Act, 1956, the vast majority of normal retirement benefit schemes prefer approval under Section 379.

#### Widows' benefits

71. Contributions by an employee to a widows' fund of which membership is a condition of employment are entitled to life assurance relief under Section 225 (1) (b) and are therefore excluded by Section 379 (1) (b) from approval under Section 379. If approval for a widows' scheme or for widows' benefits in a retirement scheme is required under Section 379, membership of the scheme or of this part of it must be voluntary.

#### VI. Valuations and Guarantees

##### Actuarial valuations

72. If the only calculation necessary to set up a pension scheme was to decide what sum of money each year must be paid at a given rate of interest to reach a certain amount at retirement age, the calculation could be done easily enough by any accountant.

73. There are, however, other factors which must be taken into account, such as rates of mortality and withdrawal of

<sup>4</sup> Finance Act, 1956, Section 24.

<sup>5</sup> Finance Act, 1956, Section 22.

<sup>6</sup> Under £39 per annum.

employees, the incidence of ill health and early retirement, the effect of transfers and paid-up pensions. The rate of interest itself may not be guaranteed and will have to be assumed when calculating pensions for a period of thirty or forty years ahead. Having settled all these factors, there is still to be determined the sum which must be provided at retirement to meet any given pension commitment, which sum is itself affected by the rates of mortality of the pensioners and the amount of death benefit which may be payable after retirement.

74. These factors make it advisable, if not essential, to obtain advice from an actuary, whose special training in and knowledge of these matters and whose experience of other pension schemes enables him to provide the correct relationship between pension and contributions. When a scheme is set up, the relationship of contribution to pension must be determined, and it is desirable that this relationship should remain stable for many years.

75. Life offices have predetermined tables of rates according to the basis of employees' contributions and the desired rate of pension, and these will enable them to provide the employer with the estimated amount of his own contribution during the first year or two. If the scheme is insured on these terms a contract will be drawn up, between the trustees of the scheme or the employer and the life office, on which the scheme itself will be based. This contract will cover the various benefits to be provided, which will be paid as laid down either to the trustees of the scheme or direct to the beneficiaries.

76. In this event no valuation of the scheme by itself will ever take place; it will be merged with all the other schemes covered by the life office, which periodically carries out a revaluation of its schemes as a whole and decides whether any revision of its tables of rates is necessary. Most life office contracts provide that the table of rates will remain in force for at least five years. In schemes assured on an annual premium basis the rates will in all probability continue for all existing contracts. In the case of schemes assured on the more usual single premium basis, however, any revision of the rates may apply to all future purchases of pension rights.

77. When the advice of a consulting actuary is sought, he will have no ready-made scheme to advance and will require to know in full detail the requirements of the employer and various particulars which will allow him to make a fair assessment of the employees to be

covered by the scheme. He will have no knowledge of the general level of health of the individuals who are to be included in the scheme, and little idea of the investment policy which will be followed or of its effect on the scheme, and he must therefore adopt rates which seem to him in the light of his general experience to be the most appropriate to the type of scheme and to the body of people concerned.

78. While it is true that the accountant produces the scheme's accounts to show what has happened to the income received, these accounts by themselves do not give any clear indication of the ability of the scheme to fulfil the promises it has made to pay the benefits when these become due. For this reason, unless the scheme has been insured with a life office, the actuary must check periodically whether his assumptions have been proved sufficiently correct to maintain the solvency of the scheme. This valuation is usually completed every five years, but in certain circumstances, as for example when a final salary scheme is in operation and pensionable salaries have greatly increased for some reason not anticipated, a valuation should be carried out more often. In such a case, when the experience of the scheme is not yet sufficient or the scheme itself is too small to provide adequate statistical data on which to base his calculations, the actuary may continue to use the same factors as before unless indications are given to him to the contrary. In larger or older schemes he would assess the correctness of the factors previously used on the experience of the scheme itself, amending them when necessary.

79. It is interesting to see the effect of these additional factors on the value of the sum accumulated to meet the pension, and I give below the capital values of the pension earned at age 65 in a scheme which is based on a 4 per cent. rate of interest from a contribution of

£26 per annum from each of the given ages. These figures are compared with the same contribution accumulated at a steady 4 per cent. compound interest. In addition to the pension, the scheme provides a lump-sum death benefit after retirement, and this must also be taken into account in comparing the figures.

80. The actuarial valuation compares the present value of the liabilities of the scheme with the value of the fund at the date of valuation and, if future benefits have been taken into account, the value of future contributions. No matter how carefully an actuary makes his assumptions, it is extremely unlikely that the present value of the promised benefits at any date will be precisely equal to the amount of the fund. Generally there would be a surplus but occasionally, alas, a deficiency.

81. The value of the fund is normally represented in this comparison by the assets at book value, although their market value may be lower or higher than this. In a continuing scheme it is the income-earning capacity of these assets and not their capital value that is important. If the income is maintained, therefore, it is unlikely that a fall in market value which coincides with the valuation date would be regarded by the actuary as affecting the solvency of the scheme, unless there is a danger that some of the assets would have to be realised at their depreciated value, as, for example, in a closed scheme which is drawing on its capital to meet the final liabilities. If there is an appreciation in market value the increase in income which normally accompanies it will tend to produce surpluses at each valuation, and account must not be taken of both the effect of this increased income in the future and the appreciation in market value.

82. Since the main purpose of a retirement benefit scheme is to provide pension benefits, it follows that the real state of affairs is disclosed not by the accounts alone but by the accounts and the valuation reports read in conjunction. If there is a surplus, it may permit some increase in benefit or alternatively some reduction in contributions. If there is a deficiency or even the prospect of a deficiency, then changes must be made to render the scheme solvent.

#### *Guarantees by the employer*

83. In some schemes employers give guarantees to the trustees of the scheme. These guarantees may take one of two forms, either a guarantee of the rate of interest to be earned by the scheme or a

**Comparison of capital value of pension at age 65 provided by payments of £26 per annum from the ages stated with the value of similar payments accumulated at 4 per cent. per annum compound**

| Age | Accumulated<br>at 4 per<br>cent. per<br>annum <sup>10</sup> | Capital<br>value of<br>Pension | Death<br>Benefit <sup>11</sup> |
|-----|---|--------------------------------|--------------------------------|
|     | £   | £                              | £                              |
| 20  | 3,147   | 3,909                          | 1,170                          |
| 30  | 1,915   | 2,125                          | 910                            |
| 40  | 1,083   | 1,109                          | 650                            |
| 50  | 521   | 498                            | 390                            |

<sup>10</sup> Invested at end of each year.

<sup>11</sup> Reducing each year by amount of pension paid.



guarantee of solvency. A guarantee of the rate of interest enables the actuary to base his calculations on that rate of interest from the beginning of the scheme. On some occasions, however, such a guarantee may affect the trustees' investment policy, with the result that the rate of interest earned is not the highest possible. An interest guarantee may take various forms of which the following are examples:

- (i) the employer guarantees a specific rate of interest, and each year agrees to make good any short-fall in the income
- (ii) the employer guarantees that the interest earned by the scheme during the period between two valuations is not less than the amount required at the rate agreed with the actuary.

84. A guarantee of interest is not a heavy commitment on an employer, and makes for a more stable relationship between contributions and pension and one which is generally more favourable to members than it would otherwise be.

85. A guarantee of solvency by an employer is a very different matter. In giving a guarantee of this nature the employer is saddling himself with virtually unlimited liability. In a final salary scheme the employer is doing just this, in any event, in so far as deficiencies arise from increases in salary. While it is comforting for the employee to know that the scheme is guaranteed, there may be certain disadvantages other than the financial one to the employer. Since the net liability is his, the employer may ensure that the control of the scheme must lie in his hands, and he may tend to keep benefits low or to prevent the scheme being upgraded to levels more appropriate to the present day in order to avoid increasing his possible liability. In extreme cases his fear of deficiency may have a braking effect on the distribution of any valuation surplus genuinely available for this purpose.

86. The fact that no guarantee of solvency is included in the scheme need not mean that benevolent employers will not make good a deficiency, and I consider that an explicit guarantee of solvency is undesirable.

#### *Treatment of deficiencies*

87. If for some reason a deficiency occurs when a valuation is made, which the employer is not bound to make good, and it seems to the actuary that subsequent events will not of themselves clear the deficiency, then changes must be made in the scheme. These fall into two parts:

- (i) steps to clear the deficit incurred to date, and
- (ii) steps to prevent the deficit recurring.

The second of these steps is comparatively easy. A readjustment of contributions and/or pension or other benefits must be made as regards future service. This may be unpalatable, but the longer the change is delayed the greater the deficiency becomes. Since a scheme must remain solvent, many schemes include a rule giving the trustees power to amend the rules in such circumstances without reference to the members. It is preferable that any amendment in such circumstances should be sufficiently drastic to avoid a recurrence of the deficiency in a few years' time.

88. There is little doubt that the most satisfactory way to deal with the deficiency already incurred is for the employer to clear this by a single payment or a series of payments spread over ten or more years (refer paragraph 62). If, however, the employer will not shoulder this liability, then it must be dealt with in the scheme itself, and this is not easy. Any effort to resolve this deficiency by an alteration of rates of contribution or benefit in the future would react unfairly as between employee and pensioner and employee and employee, and should preferably not be attempted. One reasonable method is to reduce the benefits acquired during the period in which the deficiency arose. This, however, is not straightforward as some members will have retired and be drawing their pensions. The undesirability of altering the pensions of these members will mean that the adjustment on the remainder will have to be slightly greater.

89. The difficulties outlined above, however, seldom arise if the factors used

After the war, however, trustees of pension funds began to appreciate the advantages of placing some of their money in the equity market and many trustees amended their rules to allow this to be done. Some trustees, however, had doubts about this development, not only on account of the risk of investing in equities but also because of the effect which such investments might have on the contributors' faith in their trustees. During the past twelve or fifteen years, however, the tendency to invest in equities has grown very considerably, and, while many deeds drawn today give at least a limited power to the trustees to invest in shares of this nature, some deeds do not fetter the trustees in any way. The advantages of investing in equities could perhaps be summarised as follows:

- (i) to obtain a higher return over the period of investment than is possible in fixed interest stocks
- (ii) to meet the inflationary trend which, by its nature, should ensure an increased dividend and thus allow pensions to be maintained more closely to the cost of living
- (iii) to allow investment of money to be made when conditions were unsuitable in the fixed interest market
- (iv) to avoid the loss of income which occurs when redemptions of high-yielding fixed interest stocks must be reinvested at times when interest rates are low.

91. Undoubtedly the most important of these is to obtain a higher yield than could be obtained from fixed interest investments. The importance of this consideration cannot be overstated, as the following table shows:

|              | Amount to which £100 increases at Compound Interest |             |             |             |             |
|--------------|---|-------------|-------------|-------------|-------------|
|              | Rate of Interest                                    |             |             |             |             |
|              | 3½ per cent.  | 4 per cent. | 5 per cent. | 6 per cent. | 7 per cent. |
| Invested for | £   | £           | £           | £           | £           |
| 10 years     | 141   | 148         | 162         | 179         | 196         |
| 20 "         | 199   | 219         | 265         | 320         | 387         |
| 30 "         | 280   | 324         | 432         | 574         | 761         |
| 40 "         | 396   | 480         | 704         | 1,028       | 1,497       |
| 50 "         | 558   | 710         | 1,146       | 1,842       | 2,945       |

by the actuary are soundly based and final salaries where they are an integral part of the calculations are estimated realistically.

## VII. Investments

### *Value of equities*

90. If no special powers are taken in the trust deed of a privately administered scheme, investment may be made only in gilt-edge and other trustee securities. In the majority of trust deeds drawn before the war, investment was limited to these and similar categories of securities.

92. From this it will be seen that if a scheme has based its pension on a rate of 4 per cent. and money can be invested to yield over the period of its investment an average of between 6 per cent. and 7 per cent., then after thirty years the pension earned by the contributions paid thirty years previously can be doubled. By comparison with the return on a fixed interest stock, the yield of a first-class equity share based on the sum invested may reach a surprisingly high figure. Some interesting tables were given in the *Financial Times*<sup>12</sup> earlier this year.

<sup>12</sup> April 7, 1960.

These showed that dividends on Ordinary shares had increased steadily from £329 million in 1952 to over £716 million in 1959, indicating clearly the improvements that can be effected in the return from an investment of this type.

93. If trustees are persuaded of the wisdom of investing in equities they will all ask the question at some time "What proportion should be in equities and what in fixed interest stocks?" There can be no particular figure which applies in every case. Each body of trustees must take a view on this point; a few trustees do not invest in fixed interest stocks at all, others consider that they should hold 25 per cent. or 50 per cent. of the portfolio in this class of security. The main object should be to obtain the highest prospective yield available compatible with reasonable security, and this should always be the test. In the spring of this year, many pension fund investors believed that it was better to invest in fixed interest stocks giving a long-term yield of  $5\frac{1}{4}$  per cent. or  $5\frac{1}{2}$  per cent. than to invest in first-class equities which at that time gave a much lower immediate yield even though they could be expected, eventually, to increase their yield. It was pointed out, for example, that some shares would have to treble their earnings before they were able to improve their dividend to such a point as to show a better return over a lengthy period than fixed interest stocks. Whether this turns out to be a correct view we shall not know for some years, and each group of trustees should obtain the best possible advice and then make up their own minds on matters of this nature.

#### General

94. Investment policy must always be determined to some extent by the dates on which the money is likely to be required. In the case of a closed fund dealing perhaps with back service pension arrangements, the dates on which the pensions are due to be paid can be calculated fairly closely and the investment policy should be laid down so that the money is available when the pensions are due. In the case of a continuing fund, which is gradually building up, this factor is not present and the money should be regarded as being invested for much longer periods.

95. The problem of investing for pension funds is different from that of investing for private individuals, since in the case of schemes approved under Section 379 the whole of the tax deducted from the dividend is normally recoverable. It should, however, be

borne in mind that where double tax relief is granted it is only the net United Kingdom rate of tax which is recoverable, and this factor should be taken into account when assessing the merit of any stock the dividend of which is subject to double tax relief.

#### Reinsurance—ab initio

96. Some trustees are diffident about taking on the responsibilities and difficulties of investing the money making up the fund, and they seek what is perhaps the easier way out by purchasing deferred annuity or life policies from a life office. As explained earlier, this can be done in a variety of ways and it has the advantage, particularly in a smaller scheme where there is no one with a wide knowledge of investment matters, of avoiding the responsibility for an investment policy. This method will certainly ensure that the pensions promised are available at the time they are payable, but it has two main disadvantages—unless the moneys are invested in "with profit" policies no steps can be taken through the investment policy to meet the need for higher pensions due to inflation; nor can the trustees invest in whatever market gives the highest prospective return at any time, they must in each case accept the rate of interest granted by the life office concerned. Whether the advantages outweigh the disadvantages must be a matter for each employer or group of trustees to decide for themselves. An alternative for small funds is to invest in the many unit trusts which themselves provide a cross section of fixed interest or equity investment, or both. There are also investment managers who specialise in handling the investment of pension funds.

#### Reinsurance—at retirement

97. Many small firms consider that it is not practicable to maintain a small privately administered scheme because if the number of members is few, they may run into trouble from the actuarial point of view. The most likely cause of trouble in this respect is due to pensioners living to an abnormal age, and it is possible to off-load this liability by purchasing from a life office, at the time of retirement, a pension of the required amount. If this is taken into consideration when the scheme is originally laid down, the actuary can make the necessary provision in his calculation for this method of providing the pension, and the trustees would retain full control of the scheme and its benefits while at the same time avoiding the danger of in-

solveny due to uneven mortality among their few pensioners.

#### VIII. The State Scheme\*

98. Since the idea of a graduated State pension scheme has been put forward by all political parties, there seems little doubt that it has come to stay and that April, 1961, will open a new era in this country for State pension.

99. The option given to all employers, whose employees are members of a pension scheme, to contract out of the graduated State scheme some or all of their employees has given rise to a tremendous amount of additional thought in order to decide the best way of exercising this option for the benefit of the employees.

#### The graduated scheme

100. The graduated State pension scheme itself is simple enough. Every employee over age 18 will pay a new lower minimum contribution which will replace the existing flat-rate contribution. In the case of a man this lower minimum rate, together with the existing contributions to the industrial injuries scheme and the health service, equals 15s. 4d. a week; for a woman the rate is 13s. 6d. Both of these lower rates continue to entitle the contributor to precisely the same benefits as before, namely, a fixed benefit of 50s. a week for sickness, unemployment and pension, with the usual dependants' allowances, funeral grants, maternity benefits, etc.

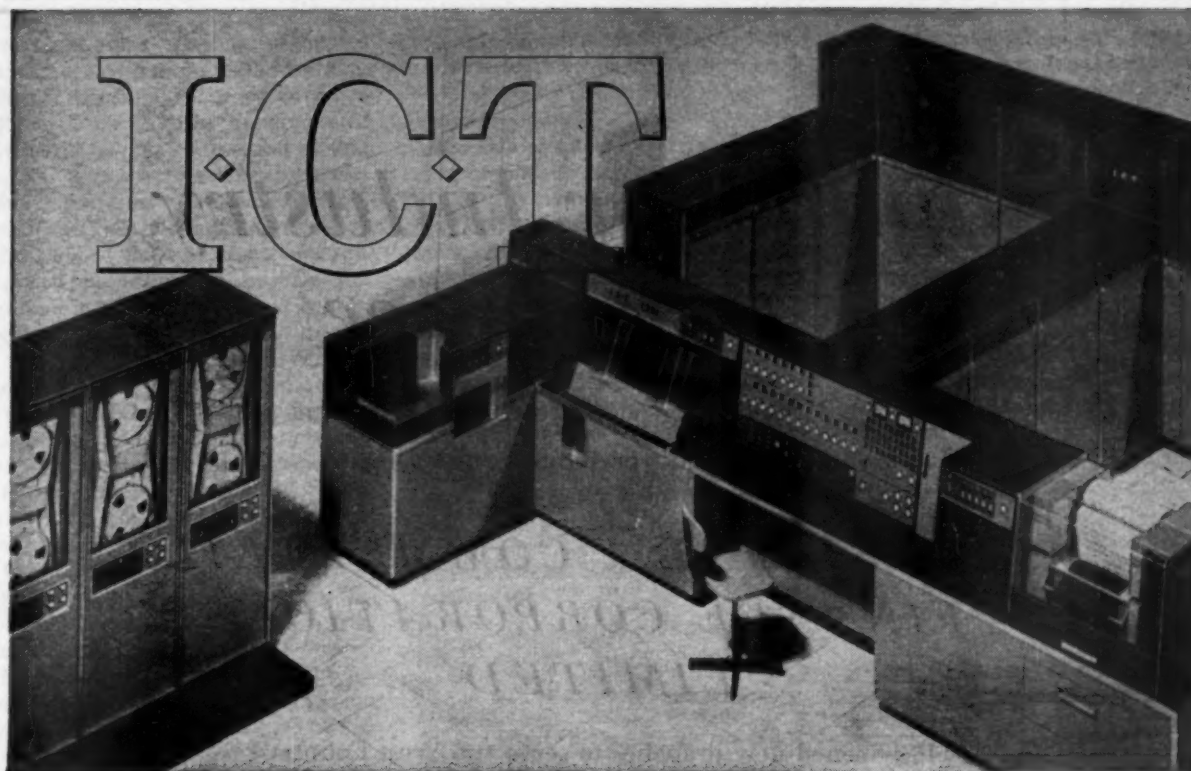
101. It has also been decided that all contributions to the new insurance scheme (as distinct from contributions to industrial injuries and the health service) should be divided equally between employer and employee. At present the employee pays a greater contribution.

102. The new minimum rate for men of 15s. 4d. is  $8\frac{1}{2}$  per cent. of £9, and this percentage has been fixed as the proportion to be paid on the earnings of each week, up to a maximum of £15, making the highest contribution for a man 25s. 6d. a week. For those paid monthly, the levels and contributions are to be multiplied by  $4\frac{1}{3}$ , making the minimum earnings £39 and the maximum £65 a month.

103. These new graduated contributions paid in respect of earnings over £9 a week entitle the contributor to two

\* Section VIII was written before the announcement by the Government of increases in the rates of contribution and in the amount of basic state pension which are to come into force in April, 1961. Some of the figures mentioned in this section are therefore no longer valid.





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additional benefits, graduated pension and graduated widow's pension. Any male contributor paying graduated contributions will acquire the right to graduated pension at age 65 of 6d. a week for each £7 10s. of graduated contributions which he has paid by that time. A female contributor receives graduated pension of 6d. a week from age 60 for each £9 of contributions which she has paid by that age. If retirement is postponed, contributions continue and additional graduated pension is paid in respect of the additional contributions and in respect of graduated pension forgone by the delay in retirement. Married women who now pay a contribution to industrial injury only will continue to be exempt from payment of the new minimum, but there will be a liability for a graduated contribution in the normal way if earnings exceed £9 in any week.

104. In view of the increase in the number of State pensioners which will occur during the next twenty years, power has been taken in the Act to increase the rate of contributions by amounts up to  $\frac{1}{2}$  per cent. in each of the years 1965, 1970, 1975 and 1980. Thus, if the scheme remains unchanged in 1980 the minimum contribution of 15s. 4d. (for men) is likely to have been increased by 10d. on each occasion and to have become 18s. 8d.; similarly the maximum of 25s. 6d. (for men) would increase by 1s. 6d. on each occasion to 31s. 6d. It is the present intention of the Government that these increased contributions will not lead to any greater pension, the relationship between pension and contribution being adjusted on each occasion.

105. Since the object of the State scheme is to provide in any year the bulk of the money to meet the benefits due in that year, there can be no real comparison of benefits with the benefits payable by a funded scheme, in which the contributions are invested and accumulate interest which itself can be taken into account in determining the pension to be regarded as equivalent to the contributions.

106. In addition to this basic difference, the matter of contracting out is clouded first by the different rates of contribution which must be paid by the employee to secure the present basic State pension, that is, 8s. 4d. a week if contributing to the graduated scheme, 9s. 11d. a week if contracted-out; and secondly by the varying rates of increase in contribution likely to take place on each of the four occasions 1965, 1970, etc., on each of which dates the contribution of

the contracted-out employee is intended to increase at a rate similar to the increase paid by an employee contributing at the highest level based on £15 a week.

#### *Contracting out*

107. Before an employer may apply for a certificate exempting certain (or all) of his employees from paying graduated contributions, there are three conditions which must apply to these employees:

- (i) they must be members of a recognised pension scheme<sup>13</sup>
- (ii) they must be acquiring, in the employer's scheme, pension rights equal to or better than the graduated pension which would be acquired in the State scheme by contributions at the earnings level of £15 a week; that is, for a man, £2 6s. 2d. a year (or 10 $\frac{1}{2}$ d. a week) for each year of fifty-two contributions
- (iii) the pension at this level ("equivalent pension benefits") must be preserved in all circumstances.

The Act lays down how this preservation shall be effected, giving three alternatives:

- (i) by granting a paid-up pension
- (ii) by transferring a paid-up pension to another scheme in which the employee is still contracted out of the graduated State pension scheme (there are certain limitations to this alternative)
- (iii) by the employer making a payment in lieu to the graduated State pension scheme of the amount required to increase the contracted-out contributions to the contribution appropriate to the maximum earnings level of £15 for the whole of the contracted-out period (7s. 4d. a week for a man, 8s. 11d. for a woman), of which the employer has the right of recovery of one-half from any refund of contributions payable from the occupational scheme to the employee.

108. A study of the contributions makes it very clear that all men earning less than £11 a week and women earning less than £10 a week will in 1961 pay lower contributions under the new arrangements than if they were contracted out. This level will rise slightly each time the contributions are increased. Since many of these contributors will also become entitled to a greater State pension, there must be very sound reasons if they are to be contracted out.

109. Although for each £1 of graduated contribution the pension return in the State scheme cannot compare with the return in an employer's scheme, owing to the initial penalty of 1s. 7d. a

week for men who are to be contracted out, the pension return for the contribution to the graduated State pension scheme may be greater at earnings levels over £11 than if the amount in excess of the contracted-out contribution were to be paid to the employer's scheme. It will be found on examination that a large number of older employees will obtain in 1961 the promise of a better pension for a given contribution by joining the State scheme than by being contracted out and using the saving in their contribution to produce alternative pension from another source.

110. There seems little doubt that more work will be created if some of the employees are to be contracted out. Ignoring the initial difficulties of fixing the lines of segregation, informing employees, obtaining the certificate from the Registrar, the difficulties fall under two heads.

111. A scheme to which contracted-out employees contribute will be subject to further State control than at present, and amendments will have to be made to fulfil the conditions mentioned in paragraph 107, which will affect all members. No amendments may be made to the rules without the consent of the Registrar of Non-participating Employments and copies of the annual accounts, valuation reports and such other information as he may require must be sent to him.

112. Secondly, difficulties will arise in regard to the preservation of equivalent pension benefits. In genuine cases of withdrawal a decision will have to be taken as to the method to be adopted and the value of the benefit calculated. In many other instances where legally the employee ceases to be contracted out, due, for example, to prolonged sickness, application will have to be made to the Minister for an extension of the employee's contracted-out status.

113. It should also be clear that any employee ceasing to be contracted out for any reason for whom a payment in lieu is made becomes in effect for the whole of that contracted-out period a contributor at the maximum level of £15 a week, even though his earnings were actually lower, and thus pays in the end just as much, if not more, than if he had been contributing to the graduated scheme for the whole period.

114. Unlike a funded scheme in which the pension is based on a number of predetermined factors which combine to produce the contribution/pension relationship, a State scheme is based largely on factors of a political and social aspect which can cause radical changes in the

<sup>13</sup> Defined in Section 8 (4), National Insurance Act, 1959.

constitution of the scheme. It is therefore wise to consider what may occur in future years which would influence our choice now regarding participation or contracting out.

115. It is extremely unlikely that any party in power would be inclined to reduce rates of State pension, but there are a number of reasons for thinking that the present scheme will be improved.

116. There is little doubt that the present ceiling of £15 will be lifted. The general level of earnings is expected to increase at 2 per cent. per annum; whether this is optimistic or not does not affect the issue, provided the principle is accepted. If the ceiling is raised to £20 or £25 and earnings generally increase by 50 per cent. over the same period, the difference in State pension for those retiring at this time between those participating and those contracted out will become more marked.

117. Under the new scheme maximum pension cannot be paid to a man until forty-seven years have elapsed. This is far too long a period. Lord Beveridge in his Report<sup>14</sup> recommended that twenty years should pass before full pension was obtainable; in fact in 1948 it was decided that ten years were sufficient, and many persons who first came into the State insurance scheme in 1948 are now drawing full pension. It is therefore quite possible that the present proposals will be amended at some future date so as to reduce this forty-seven-year period to a more reasonable one.

118. During the last ten years the level of State pensions has been increased on four occasions; each time the full value of the increase has been given not only to all contributors but also to pensioners, who have benefited in full without payment of any additional contributions. If the level of State pensions is again increased, as it surely must be if the level of earnings rises at the expected rate, will it be politically possible to increase the basic fixed pension without increasing the graduated pension also?

#### IX. Future Design

119. It is, of course, quite impossible to forecast what form retirement benefit schemes will take in the years ahead, as this will be determined not only by the decisions of the employer but also by the development of the State pension scheme and the taxation concessions which are made available. There are, however, certain avenues of thought on which we might do well to ponder.

#### The State scheme

120. I start with this as it seems clear that before a new private scheme can be devised the position of the State pension must be determined in its relationship to retirement income as a whole. I expect the State to extend its arrangements so that, for the lower paid employee at least, it will provide a sound foundation of pension. As the principle of the graduated State pension becomes ac-

cepted, more employers will tend to build on top of this scheme, rather than to ignore it as many are doing at present by contracting out. We may reasonably assume that eventually the State will provide one-half pension for the man earning the average wage.

#### Taxation

121. This is the item that by itself exercises the most effective control over

#### APPENDIX A

Comparison of Pensions on the basis of a Salary of £550 per annum at age 25 increasing by 4 per cent. per annum

| Money Purchase Basis |                 |                    |                           |                     |                   | Average Salary basis |                          |          |           |
|----------------------|-----------------|--------------------|---------------------------|---------------------|-------------------|----------------------|--------------------------|----------|-----------|
| Age                  | Yearly increase | Pensionable salary | Rate per                  |                     | Pension at age 65 | Pension 2 per cent.  | Cost at Rate in column 5 |          |           |
|                      |                 |                    | Contribution 10 per cent. | £1 of Contributions |                   |                      |                          |          |           |
|                      |                 |                    |                           |                     |                   |                      |                          | (4)      | (5)       |
| (1)                  | (2)             | (3)                | £                         | s.                  | £                 | s.                   | £                        | s.       |           |
| 25                   |                 | 550                | 55                        | 0                   | 12                | 7                    | 34                       | 12       |           |
| 26                   | 22              | 572                | 57                        | 4                   | 11                | 11                   | 34                       | 2        |           |
| 27                   | 23              | 595                | 59                        | 10                  | 11                | 3                    | 33                       | 9        |           |
| 28                   | 24              | 619                | 61                        | 18                  | 10                | 8                    | 33                       | 0        |           |
| 29                   | 25              | 644                | 64                        | 8                   | 10                | 1                    | 32                       | 9        |           |
| 30                   | 26              | 670                | 67                        | 0                   | 9                 | 6                    | 31                       | 17       |           |
| 31                   | 27              | 697                | 69                        | 14                  | 9                 | 0                    | 31                       | 7        |           |
| 32                   | 28              | 725                | 72                        | 10                  | 8                 | 6                    | 30                       | 16       |           |
| 33                   | 29              | 754                | 75                        | 8                   | 8                 | 1                    | 30                       | 10       |           |
| 34                   | 30              | 784                | 78                        | 8                   | 7                 | 8                    | 30                       | 1        |           |
| 35                   | 31              | 815                | 81                        | 10                  | 7                 | 3                    | 29                       | 11       |           |
| 36                   | 33              | 848                | 84                        | 16                  | 6                 | 11                   | 29                       | 6        |           |
| 37                   | 34              | 882                | 88                        | 4                   | 6                 | 7                    | 29                       | 1        |           |
| 38                   | 35              | 917                | 91                        | 14                  | 6                 | 3                    | 28                       | 13       |           |
| 39                   | 37              | 954                | 95                        | 8                   | 5                 | 11                   | 28                       | 4        |           |
| 40                   | 38              | 992                | 99                        | 4                   | 5                 | 7                    | 27                       | 14       |           |
| 41                   | 40              | 1,032              | 103                       | 4                   | 5                 | 4                    | 27                       | 10       |           |
| 42                   | 41              | 1,073              | 107                       | 6                   | 5                 | 1                    | 27                       | 6        |           |
| 43                   | 43              | 1,116              | 111                       | 12                  | 4                 | 10                   | 26                       | 19       |           |
| 44                   | 45              | 1,161              | 116                       | 2                   | 4                 | 7                    | 26                       | 12       |           |
| 45                   | 46              | 1,207              | 120                       | 14                  | 4                 | 4                    | 26                       | 3        |           |
| 46                   | 48              | 1,255              | 125                       | 10                  | 4                 | 1                    | 25                       | 13       |           |
| 47                   | 50              | 1,305              | 130                       | 10                  | 3                 | 11                   | 25                       | 11       |           |
| 48                   | 52              | 1,357              | 135                       | 14                  | 3                 | 9                    | 25                       | 9        |           |
| 49                   | 54              | 1,411              | 141                       | 2                   | 3                 | 7                    | 25                       | 6        |           |
| 50                   | 56              | 1,467              | 146                       | 14                  | 3                 | 5                    | 25                       | 1        |           |
| 51                   | 59              | 1,526              | 152                       | 12                  | 3                 | 3                    | 24                       | 16       |           |
| 52                   | 61              | 1,587              | 158                       | 14                  | 3                 | 1                    | 24                       | 9        |           |
| 53                   | 63              | 1,650              | 165                       | 0                   | 2                 | 11                   | 24                       | 1        |           |
| 54                   | 66              | 1,716              | 171                       | 12                  | 2                 | 9                    | 23                       | 12       |           |
| 55                   | 69              | 1,785              | 178                       | 10                  | 2                 | 8                    | 23                       | 16       |           |
| 56                   | 71              | 1,856              | 185                       | 12                  | 2                 | 6                    | 23                       | 4        |           |
| 57                   | 74              | 1,930              | 193                       | 0                   | 2                 | 5                    | 23                       | 6        |           |
| 58                   | 77              | 2,007              | 200                       | 14                  | 2                 | 3                    | 22                       | 12       |           |
| 59                   | 80              | 2,087              | 208                       | 14                  | 2                 | 2                    | 22                       | 12       |           |
| 60                   | 83              | 2,170              | 217                       | 0                   | 2                 | 1                    | 22                       | 12       |           |
| 61                   | 87              | 2,257              | 225                       | 14                  | 2                 | 0                    | 22                       | 11       |           |
| 62                   | 90              | 2,347              | 234                       | 14                  | 1                 | 11                   | 22                       | 10       |           |
| 63                   | 94              | 2,441              | 244                       | 2                   | 1                 | 10                   | 22                       | 8        |           |
| 64                   | 98              | 2,539              | 253                       | 18                  | 1                 | 9                    | 22                       | 4        |           |
| £52,300              |                 |                    | £5,230                    | 0                   |                   |                      | £1,080 15                | £1,046 2 | £6,783 18 |

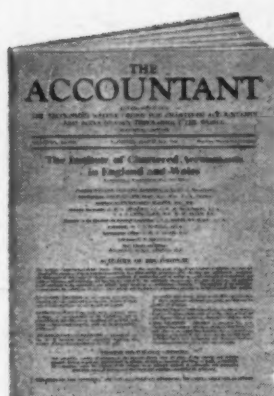
#### Notes

(1) Rate of pension (column 5) is the amount of pension at age 65 procured by £1 of contribution paid at the given age and is in use in a scheme based on 4 per cent. interest and rate of mortality equal to A(f) and A(m) minus two years.

(2) The average retiring salary based on three final years is £2,442.

<sup>14</sup> Cmd. 6404, paragraph 241.





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future retirement benefit schemes. According to the way in which tax concessions can be obtained, so will future schemes develop. Reference has already been made to some of the difficulties in the way of future developments, and it is to be hoped that these may eventually be righted. The Millard Tucker report made numerous suggestions for the improvement of the tax treatment of retirement benefit schemes, many of which, however sound and sensible, have not yet been implemented. In spite of this report the whole system has become far more complicated during the last five years, and a simplification is well overdue.

122. In particular, I think we shall see some relaxation in regard to the payment of small lump-sum benefits on retirement; the revision of the legislation relating to approval of widows' pension schemes, which is at present manifestly unsuitable; and some encouragement to provide simple works schemes by the institution of a straightforward system of automatic approval, similar to that suggested in the Millard Tucker report, for schemes with limited pension benefit.

#### *Preservation of pension rights*

123. It is my view that this aspect of pension benefits will be very considerably developed during the next few years. Such a provision—applicable after a minimum period of service—may even become necessary before Revenue approval can be obtained. The preservation of pension rights is a principle that ought to be accepted far more widely than it is. Its general introduction would have a marked effect not only on the mobility of labour, particularly of staff employees, but also on the construction of schemes themselves, since short-service employees (or late entrants), for whom it is always so difficult to provide satisfactorily, would have acquired pension rights in respect of their earlier service.

#### *The basis of future schemes*

124. In the past, private pension schemes have been concerned mainly to provide benefits for the employee. In recent years, however, welfare schemes in industry have been paying more attention to providing assistance and help for the widow of the employee as well. It surely cannot be long before retirement benefit schemes will follow the same lead and pensions for widows will become as normal as pensions for employees.

125. For staff employees, there is a distinct tendency among good employers to base their pension on final salary.

This trend will certainly continue, particularly if it can be accompanied by wise investment in equities, which will tend to relieve the employer of some of the added liability which is inherent in a final salary scheme if the level of salaries rises persistently.

126. With the growth and expansion of the State pension, the need for pensions to be provided privately by the employer to the extent of two-thirds of final salary may diminish, if my original concept of adequacy still holds good.

127. It has already taken too long to persuade both manual workers and their employers that it is in everyone's interests for them to provide between them a reasonable pension on retirement; but with the publicity that has recently been given to retirement benefits owing to the impending changes in the State pension arrangements and to the ever-increasing

sales pressure of life offices, there is little doubt that works schemes will not only become more numerous but will be based on a higher level of contribution.

128. And so in time the position will be reached when membership of a retirement benefit scheme, which provides not only a pension tied to final earnings but also alternative widows' pension benefits, will be available to all employees irrespective of status, and the *quantum* of benefit will depend on the level of his weekly or monthly earnings—a position which will extend to all employees the benefit, at present enjoyed by too few, of an income after retirement more commensurate with earnings and therefore more able to provide that continuity of comfort and security between working life and retirement, which is or should be the aim of every retirement benefit scheme.

#### APPENDIX B Death Benefit (referred to in Section III)

| Age | Salary (increasing at 4 per cent. per annum) | Contributions 5 per cent. |                | Lump sum 3 × salary till age 45 |       | Total Columns 4 and 6 |
|-----|--|---------------------------|----------------|---------------------------------|-------|-----------------------|
| (1) | (2)  | Year (3)                  | Cumulative (4) | (5)                             | (6)   | (7)                   |
|     | £  | £ s.                      | £ s.           |                                 | £     | £                     |
| 25  | 550  | 27 10                     | 27 10          |                                 | 1,650 |                       |
| 26  | 572  | 28 12                     | 56 2           |                                 | 1,716 |                       |
| 27  | 595  | 29 15                     | 85 17          |                                 | 1,785 |                       |
| 28  | 619  | 30 19                     | 116 16         |                                 | 1,857 |                       |
| 29  | 644  | 32 4                      | 149 0          |                                 | 1,932 | 2,081                 |
| 30  | 670  | 33 10                     | 182 10         |                                 | 2,010 |                       |
| 31  | 697  | 34 17                     | 217 7          |                                 | 2,091 |                       |
| 32  | 725  | 36 5                      | 253 12         |                                 | 2,175 |                       |
| 33  | 754  | 37 14                     | 291 6          |                                 | 2,262 |                       |
| 34  | 784  | 39 4                      | 330 10         |                                 | 2,352 | 2,682                 |
| 35  | 815  | 40 15                     | 371 5          |                                 | 2,445 |                       |
| 36  | 848  | 42 8                      | 413 13         |                                 | 2,544 |                       |
| 37  | 882  | 44 2                      | 457 13         |                                 | 2,646 |                       |
| 38  | 917  | 45 17                     | 503 12         |                                 | 2,751 |                       |
| 39  | 954  | 47 14                     | 551 6          |                                 | 2,862 | 3,413                 |
| 40  | 992  | 49 12                     | 600 18         |                                 | 2,976 |                       |
| 41  | 1,032  | 51 12                     | 652 10         |                                 | 3,096 |                       |
| 42  | 1,073  | 53 13                     | 706 3          |                                 | 3,219 |                       |
| 43  | 1,116  | 55 16                     | 761 19         |                                 | 3,348 |                       |
| 44  | 1,161  | 58 1                      | 820 0          |                                 | 3,483 | 4,303                 |
| 45  | 1,207  | 60 7                      | 880 7          |                                 | 3,621 |                       |
| 46  | 1,255  | 62 15                     | 943 2          | 2.9                             | 3,639 |                       |
| 47  | 1,305  | 65 5                      | 1,008 7        | 2.8                             | 3,654 |                       |
| 48  | 1,357  | 67 17                     | 1,076 4        | 2.7                             | 3,663 |                       |
| 49  | 1,411  | 70 11                     | 1,146 15       | 2.6                             | 3,668 | 4,814                 |
| 50  | 1,467  | 73 7                      | 1,220 2        | 2.5                             | 3,667 |                       |
| 51  | 1,526  | 76 6                      | 1,296 8        | 2.4                             | 3,662 |                       |
| 52  | 1,587  | 79 7                      | 1,375 15       | 2.3                             | 3,650 |                       |
| 53  | 1,650  | 82 10                     | 1,458 5        | 2.2                             | 3,630 |                       |
| 54  | 1,716  | 85 16                     | 1,544 1        | 2.1                             | 3,603 | 5,147                 |
| 55  | 1,785  | 89 5                      | 1,633 6        | 2.0                             | 3,570 |                       |
| 56  | 1,856  | 92 16                     | 1,726 2        | 1.9                             | 3,526 |                       |
| 57  | 1,930  | 96 10                     | 1,822 12       | 1.8                             | 3,474 |                       |
| 58  | 2,007  | 100 7                     | 1,922 19       | 1.7                             | 3,411 |                       |
| 59  | 2,087  | 104 7                     | 2,027 6        | 1.6                             | 3,339 | 5,366                 |
| 60  | 2,170  | 108 10                    | 2,135 16       | 1.5                             | 3,255 |                       |
| 61  | 2,257  | 112 17                    | 2,248 13       | 1.4                             | 3,159 |                       |
| 62  | 2,347  | 117 7                     | 2,366 0        | 1.3                             | 3,051 |                       |
| 63  | 2,441  | 122 1                     | 2,488 1        | 1.2                             | 2,929 |                       |
| 64  | 2,539  | 126 19                    | 2,615 0        | 1.1                             | 2,792 | 5,047                 |

## Taxation

# Cancellation of Tax Advantages—I

IN CONSIDERING THE provisions of Section 28, Finance Act, 1960, it is important to appreciate that the Section was introduced after the previous attempts at stopping dividend stripping and bond washing had proved inadequate. It will be interesting to see whether the extremely complicated wording of Section 28 will succeed in this objective.

For the provisions to apply, a tax advantage must be obtained by a person (or a person must be placed in a position to obtain a tax advantage) in consequence of a transaction or transactions in securities in any one of the four sets of circumstances described in (i) to (iv) below. (Transactions exempted will be discussed in the second part of this article next month.)

(i) That:

- (a) in connection with a distribution of profits (which term includes income, reserves or other assets); or
- (b) in connection with the sale or purchase of securities being a sale or purchase followed by a purchase or sale of the same or other securities,

a person receives an abnormal dividend and is entitled to recover tax deducted therefrom either because he is exempt from tax or because he has losses available for set off against profits or income.

(ii) That:

- (a) in connection with the distribution of profits of a company; or
- (b) in connection with the sale or purchase of securities being followed by the purchase or sale of the same or other securities,

a person becomes entitled in respect of the securities held or sold by him to a deduction in computing his profits or gains

- (c) because the value of the securities has fallen as a result of paying a dividend; or
- (d) because the value of the securities has fallen from any other dealing with any assets of the company.

(iii) That the person in question receives in consequence of a transaction whereby any other person

- (a) subsequently receives or has received an abnormal amount by way of dividend; or
- (b) subsequently becomes entitled, or has become entitled, to a deduction in computing his profits or gains because the value of the securities has fallen as a result of paying a divi-

dend or from any other dealing with any assets of the company—

a consideration in money or money's worth in such a manner that he does not pay or bear tax on it as income, and which is or represents:

- (c) the value of assets available for distribution by way of dividend; or
- (d) the value of assets which apart from anything done by the company in question would have been available for distribution by way of dividend; or
- (e) the future receipts of the company; or
- (f) the value of the trading stock of the company.

(iv) That in connection with the distribution of profits of any company which is either under the control of not more than five persons (as laid down in Sections 256(2) and 256(3) of the Income Tax Act, 1952) and any other company which does not satisfy the condition that its shares or stock or some class thereof (other than debenture stock, preferred stock or preferred shares) are authorised to be dealt in on a stock exchange in the United Kingdom and are so dealt in regularly or from time to time, a person receives a consideration in money or money's worth in such a manner that he does not pay or bear tax on it as income and which is or represents:

- (a) the value of assets available for distribution by way of dividend; or
- (b) the value of assets which apart from anything done by the company in question would have been available for distribution by way of dividend; or
- (c) the future receipts of the company; or
- (d) the value of the trading stock of the company.

### Definitions

As with all anti-avoidance provisions, there are a number of definitions (in Sections 28 and 43 of the Finance Act, 1960), which widen the normal meaning of the words used.

(1) "Tax advantage" means a relief or increased relief from or repayment or increased repayment of income tax or the avoidance or reduction of an assessment to income tax or the avoidance of a possible assessment thereto, whether the avoidance or reduction is effected by receipts accruing in such a way that the recipient does not pay or bear tax on them or by a deduction in computing profits or gains.

(2) "Securities" includes "shares"; "shares" includes "stock"; and "dividends" includes "interest."

(3) "Transaction in securities" includes transactions, of whatever description, relating to securities and in particular:

- (i) the purchase, sale or exchange of securities;
- (ii) the issuing or securing the issue of or applying or subscribing for new securities;

The sixth of a series of articles on the Finance Act, 1960.



(iii) the altering or securing the alteration of the rights attached to securities.

(4) References to distribution include references to transfer or realisation, including application in discharge of liabilities.

(5) An abnormal dividend is one in respect of which the Commissioners of Inland Revenue, the Special Commissioners or the tribunal, as the case may be, are satisfied

(a) in the case of a dividend at the fixed rate, that the dividend received substantially exceeds the amount which the recipient would have received if the dividend had accrued from day to day and he had been entitled only to so much of the dividend as accrued while he held the securities;

(b) in any case, that it substantially exceeds a normal return on the price paid for the securities.

It should be noted that in the case of (a) a dividend is not to be treated as abnormal by virtue only of that paragraph if, during the six months beginning with the purchase of the securities, the recipient of the dividend does not sell or otherwise dispose of or acquire an option to sell any of those securities or any similar securities. This limitation must be read, however, in conjunction with the generality of sub-paragraph (b). The definition is aimed at the type of transaction where cumulative preference shares on which substantial arrears of dividend have accrued are purchased and then the arrears for many years are paid in one year. Provided the shares are not resold within six months, the recipient would avoid sub-paragraph (a). But he would be caught by sub-paragraph (b) if the price paid for the preference shares was not such that the dividend paid was only a normal return on that price.

(6) "Company" means any body corporate.

(7) "Trading stock" means, in relation to any trade, property of any description, whether real or personal, being either:

(a) property such as is sold in the ordinary course of the trade or would be so sold if it were mature or if its manufacture, preparation or construction were complete; or

(b) materials such as are used in the manufacture, preparation or construction of any such property as is referred to in paragraph (a).

#### Bonus Issues and Liquidations

A bonus issue of itself will not be caught, as there is no distribution of assets. A bonus issue followed by a reduction of capital might be caught, as cash would leave the company. Likewise the Attorney General stated on May

25, 1960 (*Hansard* of that date, col. 511), that "there is no question of the common case of a sale of shares to the public when a private company becomes a public company being with the Clause (now Section). The reason is that, here again, there is no associated distribution of profits or assets of the company."

An ordinary liquidation does not appear to be caught. Liquidation represents the operation of giving effect to the rights attaching to the securities, bearing in mind the circumstances of the time. Nor would the Section appear to apply to the purchase of a sole trader's or partnership business by a limited company controlled by the same persons.

#### Procedure

It must be clearly understood that the burden of proof that this Section applies is on the Inland Revenue. There is no question of raising an assessment and leaving it to the taxpayer to appeal. Sub-Section (3) clearly states that the Commissioners of Inland Revenue (C.I.R.) must specify by notice in writing served on the taxpayer the basis on which they propose to counteract the tax advantage. Sub-Section (4) provides that such notice shall not be served until the taxpayer has been notified that the C.I.R. consider the provisions of Section 28 apply. If the Revenue does succeed in so proving, then the onus of proof moves to the taxpayer, who must then prove that the transaction or transactions were carried out either for *bona fide* commercial reasons or in the ordinary course of making or managing investments. Reference to tax cases concerning Excess Profits Tax and profits tax (in which legislation there are similar provisions) shows that the main benefit must be taken to be that which might be expected by a person considering all the facts and knowing all the law on the subject at that time—see *Crown Bedding Co. Ltd. and South Wales Flock Co. Ltd. v. C.I.R.* [1946] 1 All E.R. 452. In considering the basis by which the Commissioners counteract the tax advantage, consideration must be given to the commercial facts of the real situation—see *Ingham & Johnson & Others v. C.I.R.* (1946) 25 A.T.C. 439.

The procedure to be adopted after the Revenue has issued the notice will be dealt with next month.

(To be concluded)

## Taxation Notes

#### Void Relief

The issue of income tax demands under Schedule A should remind the taxpayer to see that he obtains all reliefs to which he is entitled. Sometimes personal and similar allowances

may not have been fully used under other assessments, and any balance not so used is available against the Schedule A assessment. Maintenance relief is usually available in these days of high cost of repairs.

Relief should be claimed for the period during which any house (or, in practice, any other building) is unoccupied, provided that rent is not being received under a short lease (Section 107, Income Tax Act, 1952).

Should the property be held on a long lease, so that tax is deductible from the rent as being an annual charge, void relief is available in spite of the rent being still payable. The relief can be claimed (for 1956/57 onwards) at any time within the six years after the end of the year of assessment; it can be claimed in the year itself if it can be shown that the property has been empty for a period or, if still empty at the date of claim, will be unoccu-

pied for the rest of the year—for example, where planning permission is awaited for improvements or the builders are already at work.

In order that relief can be claimed in respect of a house, the furniture must have been removed. It is recognised, however, that a servant may have furniture in the room(s) he occupies if he is living in an otherwise empty house as a caretaker only—this is based on the rating case of *London County Council v. Hackney Borough Council* [1928] 2 K.B. 588. The presence of machinery in an otherwise empty factory does not prevent relief, even if the machinery is turned over occasionally to prevent rust (concessional relief). All stock-in-trade must have been removed from a factory or shop.

Relief is also given by concession in respect of

- (a) waste and unenclosed land;
- (b) agricultural land which the owner is unable to let or to farm himself;
- (c) remissions of rent of farm land on account of agricultural depression; and
- (d) rent which is wholly and irrecoverably lost or waived owing to the bad financial circumstances or absconding of the tenant (in Northern Ireland (d) is a statutory relief).

Such relief as the Commissioners of Inland Revenue deem just is given where one or more apartments are unoccupied in a house or building let in apartments or tenements (Section 107, Income Tax Act, 1952).

In the case of a mansion house, void relief is not available on woods, plantations and lands unless they come within one of the concessions mentioned above (*Bertram v. Wightman*, 1936, 20 T.C. 411).

Void relief will be calculated so that tax is assessed on the rent actually received less a repairs allowance appropriate thereto.

#### Loss of Income and Capital on Trust Investments

A mortgage gives security for both principal and interest. Consequently, in any trust, if any loss is sustained on realisation, principal and interest must abate proportionately (*Re Atkinson, Barbers' Co. v. Grose-Smith* [1904] 2 Ch. 160). This case covers

any authorised security bearing interest at a fixed rate and securing both capital and income. If, however, such a security was an unauthorised investment in residue, the apportionment laid down in *Re Fawcett* [1940] Ch. 402 appears to apply and not that in *Re Atkinson*—that is, the life tenant will be entitled to 4 per cent. less tax on the whole of the unauthorised investments valued either at the date of death or at the anniversary of death, according to whether there is or is not authority to the personal representatives to postpone conversion (*Re Parry* [1946] 2 All E.R. 412)—arrearages being made good when any sale takes place (*Re Fawcett*). If the trust funds are invested by the trustees in an unauthorised investment securing principal and interest at a fixed rate and the investment realises less than the amount due, any income received by the life tenant from the investment must be added to the sum realised by the sale before making the apportionment (*Cox v. Cox*, L.R. 8 Eq. 343; *In re Bird* [1901] 1 Ch. 916). It appears that the apportionment would then be on the *Fawcett* principle, taking 4 per cent. on the cost price; the portion applicable to the life tenant would be diminished by the income already had.

The *Re Atkinson* principle was recently applied to a case where, under a scheme of arrangement authorised by the Court, a company compromised principal and arrears of interest on debentures for a consideration less than the total amount due (*Re Morris's Will Trusts* [1960] 3 All E.R. 548—see ACCOUNTANCY, December, page 688). Normally, interest on arrears of interest cannot be taken into account (*Re Moore: Moore v. Johnson* (1885) 54 L.J. Ch. 432), but in the *Morris* case, owing to the terms of the scheme, it was.

Hitherto, there has been some division of opinion on whether income tax is to be taken into account in bringing arrears into the computation under *Re Atkinson*. At the time that case was decided, income tax was of little significance, being one shilling in the £. In many informed quarters the view was held that, since deduction of tax takes place only on payment, the gross arrears ought to

be included in the apportionment. It seems, however, that in the *Morris* case the decision was that what had to be taken into account was the amount owing to income, that is after deduction of tax.

It is customary, where an authorised security is sold for less than the amount owing for principal, to apply the proceeds entirely to principal, so that no income tax is chargeable. On an apportionment under *Re Atkinson*, however, the position is complicated by the apportionment of some of the proceeds to interest. In the *Morris* case, the Judge expressly stated that, as the Crown was not represented, he made his decision without prejudice to whether or not tax would be payable on the amount attributable to income. It will be interesting to see whether the Crown will seek to tax such an amount.

#### When Income Tax is Not Deductible at Source

In the following circumstances, the rules of Sections 169 and 170 of the Income Tax Act, 1952, whereby tax is deductible from annual payments, are not applied:

- (1) By agreement with the Inland Revenue in each instance, where an annuity or other annual payment is made to a person of small means who would not be liable to tax. In some cases, deduction at a reduced rate can be negotiated.
- (2) Interest paid to building societies which have made the special arrangement with the Revenue (Section 445, Income Tax Act, 1952).
- (3) Interest paid to a local authority on money borrowed for house purchase, etc., is treated as in (2) unless the authority has not entered into an appropriate arrangement with the Revenue.
- (4) Interest paid to a bank, discount house or stockbroker is not regarded as an annual payment.
- (5) Certain small maintenance payments (see Section 205, Income Tax Act, 1952; Section 21, Finance Act, 1957; and Section 40, Finance Act, 1960), and payments under an affiliation order.
- (6) By arrangement with the Revenue, certain interest on loans from an insurance company.
- (7) If so authorised by the Revenue, payments to a non-resident who is



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exempt from U.K. tax under a double taxation agreement.

(8) Where the Inland Revenue so directs, an annuity under an approved superannuation fund is taxed under Schedule E and not by deduction (Section 379 (2), Income Tax Act, 1952).

(9) Loan and share interest of industrial and provident societies, unless paid to a person whose usual place of abode is not within the U.K. (Section 442).

(10) Interest on unpaid income tax and surtax (Section 495, Income Tax Act, 1952; Section 58, Finance Act, 1960), profits tax (Section 8, Finance (No. 2) Act, 1947) and estate duty (Section 18, Finance Act, 1896).

With the exception of (10), appropriate relief is given to the payer of the annual charge. Interest on estate duty is allowed for surtax purposes at its gross equivalent as if it were a net sum after deduction of tax.

#### **Accumulating Settlements made by Parents on their Children while Minors**

In many instances accumulating settlements are made by a parent on his children who are under the age of twenty-one. Provided these are properly drawn, the income accumulated is not treated as that of the settlor and it will reach the child on attaining his majority (or, where so provided, marrying) as capital, having suffered tax at the standard rate but attracting no surtax. If the period of accumulation is until reaching a specified age or marrying, then, although the income reaches the child as capital, Section 228 of the Income Tax Act, 1952, allows the child on reaching the age of twenty-one or marrying under that age (even if the capital does not pass until a later date) to claim personal reliefs against the income for each year of the period of accumulation as if it had been vested at that time. The claim must be made within six years after the event.

The Inland Revenue now appears to regard any income arising from the investment of the income as being vested in the child as it arises, so that any claim for personal reliefs on it must be made within six years after the year of assessment in which such income on income arises.

Should a settlement on a child be such that the income is to be deemed to be that of his parent, the income arising from the invested income is still regarded as that of the child.

#### **Purchased Life Annuities**

The Commissioners of Inland Revenue, in exercise of the powers conferred on them by Section 28, Finance Act, 1956, have made Regulations extending from twenty-one to thirty days the time limit for notices of objection to the determination by Inspectors of Taxes of claims for exemption from tax of the capital element in a purchased life annuity, and of the amount of such capital element. The appeal period is thus brought into line with the normal income tax appeal period which, since 1958, has been thirty days.

The Regulations—the Income Tax (Purchased Life Annuities) (Amendment) Regulations, 1960—are published as S.I. 1960 No. 2308.

#### **Motor Cars—Personal Choice**

There appears to be some confusion about the position regarding the disallowance of a proportion of the capital allowances for private user where the motor car is an expensive one. The capital allowances in question are (where claimed) an initial allowance and an annual allowance. There will seldom be a claim for an investment allowance, since this applies only to cars let out on hire or used as public conveyances (for example, taxis). In very many cases an initial allowance is not claimed, because it reduces so substantially the future annual allowances and not infrequently results in a balancing charge when the car is replaced.

The initial allowance is provided for by Section 279 of the Income Tax Act, 1952, which says that where a person carrying on a business (a term used in this note to include trade, profession, vocation or employment) incurs capital expenditure on the provision of machinery or plant for the purposes of the business, he can claim an initial allowance, which in the case of expenditure incurred after April 14, 1958, is 30 per cent.

The annual allowance is given by

Section 280 in almost identical language, but with the addition of the requirement that the asset must be in use for the purposes of the trade at the end of the basis period in question. At present the annual allowance on the usual reducing instalment basis is five-fourths of 20 per cent., or 25 per cent. actual. On the fixed instalment basis it is five-fourths of 9 per cent., or 11¼ per cent. actual.

It appears, therefore, that the sole requirement for an initial allowance, where there is no private use, is that there be capital expenditure on acquiring an asset for the purposes of the business. For the annual allowance, there is the same requirement plus that of using the asset at the end of the basis period. It is difficult to see how the Inland Revenue could effectively bring in a claim to reduce either allowance on the grounds that the expenditure was extravagant. The provisions of Section 137 regarding expenses not expended wholly and exclusively for the purposes of the business apply only to the computation of the amount of profits. The capital allowances in question are made in charging the profit, that is, as a deduction in the assessment, not in the computation of profits.

Where, however, it appears that the asset will also be used for purposes other than those of the business, it is provided that the initial allowance is to be so much only of the allowance otherwise available as may be just and reasonable having regard to all the relevant circumstances and, in particular, to the extent to which the asset is likely to be used for the other purposes (Section 279 (3)).

Similarly, the annual allowance is to be such as is just and reasonable having regard to all the circumstances and, in particular, to the non-business use in the basis period on which the claim is based (Section 289). This opens up the possibility of a restriction by reference to extravagance in the expenditure, called "personal choice." Two cases are reported where the Inland Revenue sought such a restriction. In the first (*Kempster v. McKenzie*, 1952, 33 T.C. 193), a farmer purchased a 14 h.p. Alvis car for £1,284, of which the private use was agreed at one-seventh. The

car was used for journeys to neighbouring market towns. The Crown sought to reduce the initial and annual allowances by one-fifth and to reduce the balance by one-seventh for private use. The General Commissioners agreed that a reduction was necessary for personal choice, but substituted one-seventh for one-fifth; but Mr. Justice Danckwerts held that there was no evidence upon which the Commissioners were justified in either holding or inferring that the choice of the kind of car was dictated otherwise than by the requirements of the farming business.

The Inland Revenue then bided its time until it had before it a case with really significant sums involved. This was *G. H. Chambers (Northiam Farms) Ltd. v. Watmough* (1956, 36 T.C. 711), where the company (fruit farmers) bought a secondhand Bentley car for £6,995. Private use of the managing director, who had voting control of the company, was agreed at one-twelfth. An annual allowance was claimed for the first basis period of £1,749 (no initial allowance was available, as the purchase was in January, 1953), less one-twelfth for private use. The General Commissioners agreed with the Crown that personal choice was involved and reduced the annual allowance to £728 15s., less the one-twelfth for private use, and Mr. Justice Vaisey agreed that in this case, in contrast to that of *Kempster v. McKenzie*, there was ample evidence of personal choice, which was in the circumstances a relevant circumstance.

It is worth noting that the Commissioners in the *Chambers* case allowed an annual allowance based on a capital expenditure of £728 15s.  $\times 4 = £2,915$ . Yet only recently an Inspector of Taxes sought to substitute for the cost of a secondhand Jaguar (which he described as a luxury car) the sum of £800 as the capital expenditure. To what extremes are taxpayers to be subjected? It is a matter for the Appeal Commissioners to determine where the Inland Revenue is mean in its approach.

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that the Chancellor of the Exchequer was asked in Parliament recently if he would broaden the scope of paragraph 7 of the Ninth Schedule of the Income Tax Act, 1952 (which relates to expenses allowed against assessments under Schedule E) to include expenditure incurred by professional men and women on books and research necessary to keep them up to date in their subject. It was pointed out that this was one of the recommendations of the Royal Commission on the Taxation of Profits and Income. The usual reply was given that the point would be borne in mind when the Chancellor prepared his Budget statement. As readers will recall, such expenditure has not always been allowed in the past. By concession, H.M. Judges are allowed up to £40 to cover the cost of law reports and binding and repairing of books where they keep a personal law library for the performance of their judicial functions. In the case of *Blackwell v. Mills* (1945) 26 T.C. 468, although it was a condition of the taxpayer's employment that he should attend classes in preparation for a university degree and that the company gave him facilities and time off to attend lectures and paid part of his costs of tuition, it was held that the balance was not allowable, as not being expended in the performance of the taxpayer's duties.

#### **Taxation Manual**

The Taxation Publishing Company has published a further addendum to the ninth edition of "*Taxation*" Manual. The addendum is printed as usual on one side of the paper only and gummed on the back so as to facilitate insertion in the main volume. It is a further reminder of the amount of legislation in the Finance Act, 1960, and is prepared in the usual authoritative manner, including also cases of note decided since the previous addendum (noted in ACCOUNTANCY, November, 1959, page 608).

#### **Double Taxation—Sweden**

Two Double Taxation Conventions between the United Kingdom and

Sweden, signed on July 28, 1960, have been published as schedules to draft Orders in Council. One relates to duties on the estates of deceased persons, and the other is a revised Convention relating to income taxes, replacing that dated March 30, 1949.

#### **Double Taxation—Iran**

The arrangements between the United Kingdom and Iran for the avoidance of double taxation of air transport profits have been published by H.M. Stationery Office as a schedule to an Order in Council (S.I. 1960, No. 2419).

## **Accountancy**

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The index to Volume 71 (January–December, 1960) is enclosed with this issue of ACCOUNTANCY.

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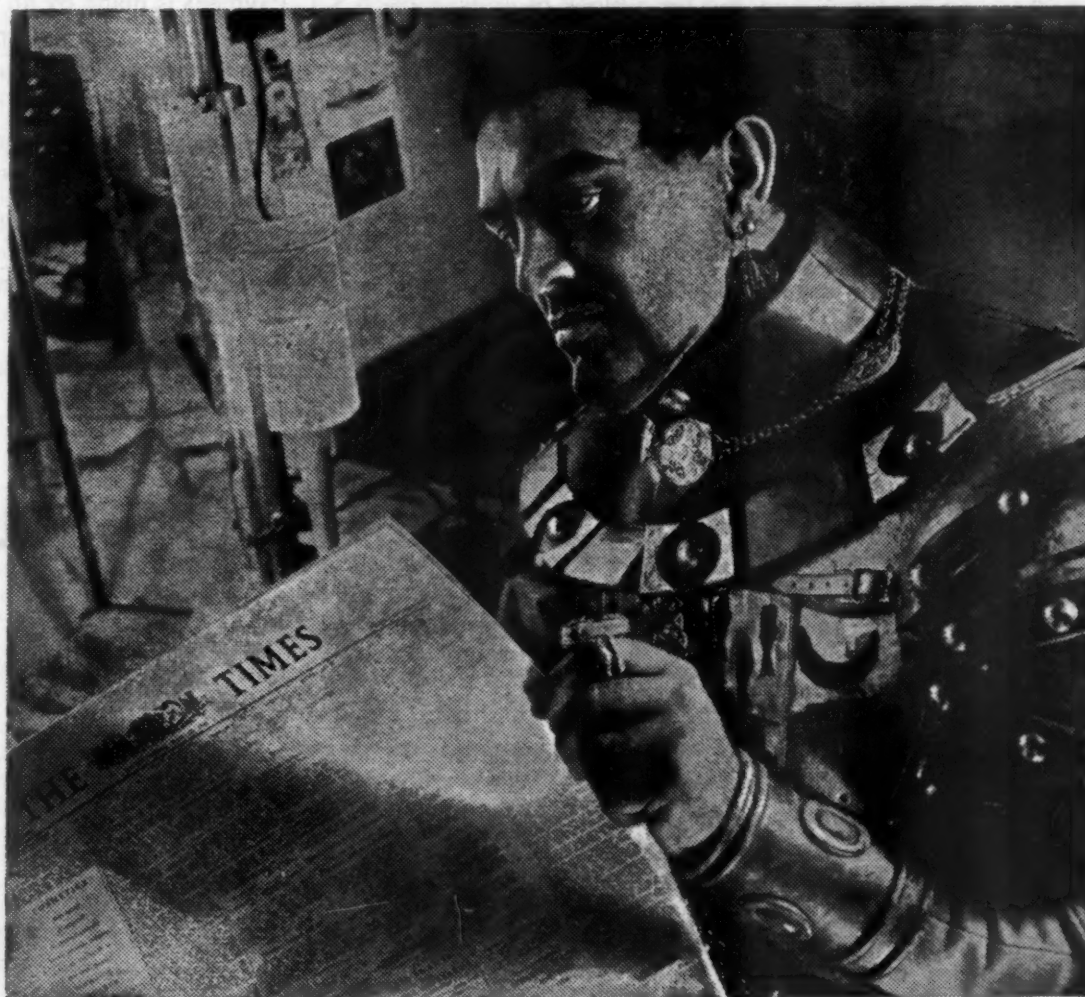


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## Recent Tax Cases

### Income Tax

*Assessments—Invention—Agreement for sale of patent rights—Part of consideration paid on signing of agreement—Subsequent repudiation of agreement by purchasers—Damages for breach—Whether initial payment part of purchase price of patent rights or part of damages—Income Tax Act, 1952, Section 318—Finance Act, 1952, Section 24, Schedule VI, Part II.*

In *Green v. Brace* (Ch. 1960, 53 R. & I.T. 757) the taxpayer, who had invented a midget typewriter, agreed to sell the patent rights in his invention for £1,500 and royalties, and also in consideration of covenants by the purchasers that they would produce a satisfactory production prototype of the typewriter within a certain period and would commence production as soon as practicable thereafter and in any case not later than three years after the date of the agreement. There was provision in the agreement for the reassignment of the patents to the taxpayer if the purchasers should fail to perform their covenants. It was further agreed that the purchasers should pay the £1,500 to the taxpayer, as to £1,000 on the signing of the agreement, and as to the balance of £500 on completion of the production prototype of the typewriter. The purchasers paid the £1,000 on the signing of the agreement but failed to produce a prototype and repudiated the agreement.

The taxpayer accepted the repudiation and in a High Court action for breach of the agreement it was ordered, by consent of the parties, that the taxpayer was entitled to the reassignment of the patents and to payment of damages of £1,500. Later, the taxpayer was assessed to income tax in respect of one-sixth of £791 (being the £1,000 paid on the signing of the agreement less £209 agreed expenses) for the year in which it was received and each of the five succeeding years under Section 318 of the Income Tax Act, 1952, as extended by Section 24 of and part II of the Sixth Schedule to the Finance Act, 1952. (These provisions apply when a person receives a capital sum on the sale of patent rights and marks a departure from the fundamental principle that income tax is a tax on income). It was not contended by the Revenue that the £500 (balance of the £1,500 payable under the agreement) or the £1,500

damages was assessable. The taxpayer appealed and contended (i) that the agreement had fallen through because the purchasers had failed to produce a production prototype, (ii) that there had been no sale because the purchasers had returned the invention to the taxpayer, and (iii) that, the agreement having been repudiated by the purchasers, the £1,000 paid on the execution of the agreement had not formed part of the proceeds of sale of the patent rights but had constituted part of the damages which the taxpayer had finally received for breach of the agreement, because the £1,000 had been taken into account in assessing the further sum of £1,500 which had been paid as damages. The Crown contended that the £1,000 did not form part of the damages for breach of the agreement and that the £791 was accordingly assessable to tax. The General Commissioners accepted the arguments of the taxpayer and the Crown appealed.

Danckwerts, J., said that the £1,000 had been paid not as damages but as part of the purchase price for the invention pursuant to the agreement and it had been received by the taxpayer as such. The agreement was not one which had been avoided from the beginning by the action of the parties. It had been partly performed by the purchasers, but then the purchasers had failed to meet their obligations under the agreement so that they had committed a breach of the agreement and had become liable to damages. So far as the reassignment of the invention or the letters patent to the taxpayer was concerned, that had not been brought about by any rescission of the contract but in fact in pursuance of the terms of the contract itself.

His Lordship referred to a passage in *Chitty on Contracts*, 21st edition, page 259, paragraph 466, which supported his view, but this somewhat lengthy passage can be summarised by saying that there is a difference between the rescission of a contract *ab initio* and the breach of a term or covenant contained in the contract. In the latter case, though the party not in default can sue for damages and can also excuse himself from performance, he cannot ask the Court to rescind the contract, although if necessary he may claim a declaration that he is no longer bound by it. The truth of the matter was (said the Judge) that when a person sued for damages in a

contract, he was suing on the footing that the contract was in existence, and not that it was determined from the very beginning so that it never really existed at all. Therefore, it was impossible for the taxpayer to contend successfully that the payment of the £1,000 which he had received at the very beginning of the agreement had not been a payment received by him in pursuance of the agreement, and as such it fell correctly within the statutory provisions and was assessable accordingly.

### Income Tax

*Foreign income—Remittances to United Kingdom—Cheques drawn in dollars on foreign bank—Purchase by English bankers—Sterling equivalent credited in England—Foreign currency transferred by purchasers to Bank of England—Whether income from foreign securities or possessions—Income Tax Act, 1918, Schedule D, 1 (a) (i), Cases IV, rule 2 (a) and V, rule 2—Finance Act, 1953, Section 24.*

Case IV of Schedule D to the Income Tax Act, 1918, related to income from foreign securities and Case V of the Schedule to income from foreign possessions. Rule 2 (a) of Case IV read as follows:

The tax in any such case (where a person is not domiciled in the United Kingdom, or, being a British subject, is not ordinarily resident in the United Kingdom) shall be computed on the full amount, so far as the same can be computed, of the sums which have been, or will be, received in the United Kingdom in the year of assessment without any deduction or abatement

while rule 2 of Case V provided that:

The tax in respect of income arising from possessions out of the United Kingdom . . . shall be computed on the full amount of the actual sums annually received in the United Kingdom from remittances payable in the United Kingdom, or from property imported, or from money or value arising from property not imported, or from money or value so received on credit or on account in respect of any such

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remittances, property, money or value brought into the United Kingdom . . .

(These rules are now superseded by Section 132 (3) (a) and (b) of the Income Tax Act, 1952).

The case of *Thomson v. Moyse* (House of Lords, 1960, 3 W.L.R. 929) was noted in our issue of January, 1959 (page 29), following the judgment of Wynn-Parry, J., and again in June, 1959 (pages 325-6), following the decision of the Court of Appeal. Briefly, the facts are as follows: a taxpayer domiciled in the United States of America but at all material times a British subject resident in the United Kingdom was entitled to income of some \$17,000 a year from the estates of his mother and his father, both of which were situate in America. Payments of income from the estates were made by trustees into an account in the taxpayer's name in the Bank of New York. The taxpayer (a) drew cheques in dollars on the Bank of New York in favour of one or other of his bankers in the United Kingdom and requested them to purchase the cheques; (b) his English bankers, as authorised dealers under the Exchange Control Act, 1947, sold the amount of dollars specified in the respective cheques to the Bank of England and credited to his account in England an amount in sterling equivalent to the amount of dollars specified in the cheques; (c) his bankers in England, by registered mail, then presented his cheques to the Bank of New York which honoured the cheques and transferred the amount of dollars in question in each case to the account of the Bank of England with the Federal Reserve Bank of the United States. Assessments to income tax under Case IV, rule 2 (a), and Case V, rule 2, of Schedule D to the Act of 1918 having been made on the taxpayer, he appealed to the Special Commissioners, who allowed the appeal. Their decision was upheld by Wynn-Parry, J., and his decision was affirmed by the Court of Appeal. Now the House of Lords has reversed the decision of the Court of Appeal, so that all three previous decisions were found to be wrong, although, in the Court of Appeal, Pearce, L.J., gave a dissenting judgment.

In the House of Lords, Lord Reid said that at first sight it would seem that the transactions in question satisfied the requirements of rules 2 of Cases IV and V of Schedule D, so that tax would be exigible; but there was a wealth of authority surrounding those provisions and it was on the strength of that authority that the previous decisions were given. The main ground of judgment in each case was that the sums

paid to the taxpayer had not been "brought into" the United Kingdom. That was quite true, but there was nothing in Case IV requiring that money should be brought into the United Kingdom, and this requirement was only attached to the fourth (unnumbered) head of Case V which did not apply to the present case. The head which did apply was the third, which read as follows:

or from money or value arising from property not imported

(In fact, as was pointed out by Lord Denning, the essential requirement under both Cases was that the dollar cheques should be "sums . . . received in the United Kingdom").

Continuing, Lord Reid said no one had suggested, if the English banks had "collected" the dollar cheques instead of purchasing them, that the proceeds would not have been taxable. Yet, collecting the cheques abroad and giving the customer sterling in this country would not necessarily involve bringing anything at all into the United Kingdom; it might only involve less being sent out than would otherwise be necessary. It would thus be quite absurd to suggest that the customer escaped paying income tax because of the accident that, in his particular case, collecting his cheque did not involve bringing anything into the United Kingdom.

It had been argued for the taxpayer, however, that if the bank had collected a dollar cheque, the amount of his income in the New York bank would have been diminished before he received the money in this country, so that what he received must be regarded as part of his income; whereas, if the bank bought a dollar cheque, the whole of the taxpayer's accrued income was still in New York, so that what he received in this country could not be part of his income. The flaw in this argument, said his Lordship, was in regarding the sum at the taxpayer's credit in New York as being still at his disposal during the interval between the sale of the cheque in this country and its presentation for payment in New York. In fact, by selling his cheque in this country the taxpayer assigned his right to the money in New York, and the only practical difference, so far as the taxpayer was concerned, between collection and purchase was that in the former case he had to wait a day or two longer for his money.

Referring to the earlier cases, the judgments and *dicta* in which had influenced the decisions of Wynn-Parry, J., and the Court of Appeal, both Lord

Reid and Lord Radcliffe indicated that, in all except two, the facts were far removed from the facts of the present case. In *Hall v. Marians (No. 2) (1935)* 19 T.C. 582 and *C.I.R. v. Gordon (1950)* 33 T.C. 226, however, the facts, though distinguishable, were not very dissimilar. In *Gordon's* case the taxpayer obtained an overdraft with the head office of the National Bank of India in London (referred to by Lord Cohen in the case as "advances of capital") on the terms that whenever the overdraft reached £500 it was to be transferred to the Colombo branch of the bank where the taxpayer had an account which was fed, in part, from the profits of a partnership business. *Hall's* case was somewhat similar and the essence of the decision in each case was that the debt was taken over to the income instead of the income being brought over to the debt. However, the effect of these decisions had now been nullified by Section 24 of the Finance Act, 1953.

Lord Radcliffe (with whose judgment Viscount Simonds and Lord Cohen agreed) said that the sterling credits were sums received by the taxpayer in the United Kingdom out of his American income, which had *pro tanto* been used to acquire them, and in this sense he had brought over his American income to the United Kingdom. The bringing in of a person's income meant nothing more than the effecting of its transmission from one country to the other by whatever means the agencies of commerce and finance might make available for that purpose. If that transmission took place, it was immaterial whether anything—items of property or instrument of transfer—had actually been brought into the country or not. Nor was it relevant to ascertain what had happened to the taxpayer's money in the country where the income arose; the use which the purchaser might make of the dollars (he had bought) had no bearing on the question whether the taxpayer had received sums of sterling through remittance of his American income. Accordingly, the sterling sums received by the taxpayer were properly computed in assessing his tax under Cases IV and V of Schedule D.

It seems a little confusing, at first sight, that Lord Radcliffe should use the expressions "brought over" and "bringing in" when he expressly states elsewhere in his judgment that "there is nothing in Case IV about bringing anything in" and that "the formula for liability (under Case V, rule 2) is the same, the full amount of the actual sums



(of the income) received in the United Kingdom," but the explanation is to be found in the case law on the subject. His Lordship said that much of the "mystification" surrounding rule 2 of Case V had arisen from the none too clear phrasing of the four different heads of the rule, but that these heads should be construed according to their general sense "and without too much nicety of language." What seems reasonably plain now is that it is going to be very difficult in future to avoid a fairly broad construction of the rule.

#### Income Tax

*Assessments — Profits — Purchase of scrapped metal stills—Resale after restoration—Purchase made with intention of reselling—Adventure in the nature of trade—Income Tax Act, 1918, Schedule D, Case I.*

In *Jenkinson v. Freedland* (Ch. 1960, 53 R. & I.T. 778), the taxpayer was managing director of a company engaged in the manufacture of furniture and in engineering. He was also controlling director of, and owned practically all the shares in, F Company, which was concerned with the manufacture of synthetic resins, chemicals and varnishing media. In addition, he owned in his own right and through nominees all the shares in L company, but at the material times was not a director of that company. L company manufactured paints, varnishes, lacquers and resins, and altogether the taxpayer had considerable technical knowledge of the manufacturing processes involved and an expert knowledge of resins in particular. In the course of his travels he learned that another company, D company, had been engaged in certain experimental work involving the use of two large metal stills or reactors which were no longer required, and that these stills had been scrapped and were awaiting breaking-up. Each was about eleven feet in height and about eight feet in diameter and was designed to hold 1,100 gallons, or eight to nine tons of liquid.

Both stills were provided with jacket heating and contained stirring equipment consisting of pipes, gearing, shafts and other moveable parts. As a result of the experimental work carried out by D company, they were covered inside and outside with a sticky resinous substance about an inch deep, which was highly inflammable and prevented the machinery and gear wheels inside from working. After very careful inspection of the stills, the taxpayer considered

that with his expert knowledge of resins and machines he would be able to remove the resinous substance from the stills without damaging the basic metal. With this object and the eventual resale of the stills in mind, he purchased them for £80 each. Having succeeded in cleaning the stills and putting them in working order, he invoiced one still to F company and the other to L company at the price of £3,750 each; and these sums were credited to the taxpayer in the loan accounts of the two companies. In a letter to his accountants the taxpayer described these transactions as sales of the stills to the companies. He had never before bought any machinery on his own account, nor had he done so since.

He appealed against assessments made on him under Schedule D for the year 1951/52 in the sum of £7,015 in respect of profits arising from dealing in plant and machinery, and alternatively in the sum of £7,515 in respect of profits arising from sales of plant and machinery. The General Commissioners held that there had been a sale of the stills to F and L companies but that the transactions did not constitute an adventure in the nature of trade, and so they discharged the assessments. The Crown appealed.

Danckwerts, J., said that on the facts taken together there was only one reasonable conclusion that could be reached—that there had been an adventure in the nature of trade. On the finding of the Commissioners the taxpayer had purchased the stills for the purpose of resale, but he had not needed to advertise them or take other similar steps with a view to securing their disposal. Because his purchasers or customers had been at his elbow. They were his own companies, for whose businesses the stills had been useful. The conclusion which he had reached was supported by the observations of the Courts in *C.I.R. v. Livingstone* (1927) 11 T.C. 538; *Rutledge v. C.I.R.* (1929) 14 T.C. 490; *Smith-Barry v. Cordy* (1946) 28 T.C. 250 and *Edwards v. Bairstow and Harrison* (1955) 36 T.C. 207. It was quite clear from the observations of Lord Simonds in *Edwards v. Bairstow and Harrison* that he (Danckwerts, J.) was entitled and indeed bound to interfere with the conclusion of the Commissioners if he took the view that on the findings of fact they had reached a conclusion in law which could not reasonably be supported, and that was the view which he took in the present case.

While this decision creates no new

law, it is an interesting addition to the line of cases which show that where the thing purchased, in kind or in quantity, is capable of commercial disposal and not of retention as an investment or of use by the purchaser personally, the profits on resale are usually taxable. The position, however, may be otherwise where it is an economic unit of investment that is purchased for resale. In *C.I.R. v. Reinhold* (1953) 34 T.C. 389, for example, a director of a warehousing company purchased four houses and instructed his agent to sell them as soon as they showed a profit. The houses were sold three years later, but the profits were held to be exempt from tax.

#### Estate Duty

*Property chargeable—Immovable property situate outside Great Britain—Settlement—Testamentary disposition—Property passing on death of tenant for life—Whether property excluded for estate duty purposes—Proper law of disposition—Finance Act, 1894, Section 2 (2)—Administration of Justice (Miscellaneous Provisions) Act, 1933, Section 3—Finance Act, 1936, Section 24—Finance Act, 1949, Section 28 (2).*

The case of *Phillipson-Stow v. C.I.R.* (House of Lords, 1960, 3 W.L.R. 1008) was noted (*sub nom. Phillipson-Stow* (No. 2) v. *C.I.R.*) in ACCOUNTANCY for June, 1959 (page 326), and was again referred to in the issue of February, 1960 (page 94), after the Court of Appeal (Harman, L.J., dissenting) had affirmed the decision of Upjohn, J. Now the House of Lords (Lord Radcliffe dissenting) has reversed the decision of the Court of Appeal. The judgments of the House are of considerable interest to the taxpayer, particularly in view of the increasing popularity of investment in land abroad.

A testator (the first baronet), who declared that his will should operate so far as the case admitted according to English law, devised "settled estates" to his wife for life, with remainder to his eldest son for life, with remainder to the sons of his eldest son successively in tail male, with remainders over. He devised and bequeathed the residue of his estate to his trustees on trust for sale, to be held as if the moneys and investments representing the same were capital moneys arising from his "settled estates." He died on May 17, 1908, domiciled in England. His wife died on December 22, 1930, and his eldest son (the second baronet) on September 23, 1954. The residuary estate included an undivided share in land situate in the

Union of South Africa, which land the trustees, in the exercise of a power to postpone sale contained in the will, had retained. By the law of South Africa this land was immovable property.

Section 28 (2) of the Finance Act, 1949, provides that property passing on the death of a person

shall be deemed for the purposes of estate duty not to include any property passing on the death which is situate out of Great Britain, if it is shown that the proper law regulating the devolution of the property so situate, or the disposition under or by reason of which it passes, is the law neither of England nor of Scotland and . . . (c) that the property so situate is, by the law of the country in which it is situate, immovable property.

The question for decision by the House was whether, in terms of Section 28 (2) of the Act of 1949, the immovable property in South Africa which "passed" on the death of the second baronet was exempt from estate duty on the ground that the "proper law" regulating the "disposition under or by reason of which" the property passed was the law not of England but of South Africa. The Court of Appeal had held that the property was not exempt from liability to duty under the sub-Section, largely for the reason that the proper law regulating the beneficiaries' rights was that which the testator intended, namely, English law.

Lord Reid said that the law which regulates a testator's disposition of movables must be the law of his domicile and the law which regulates his disposition of immovables must be the *lex rei situs*. In the present case it was not disputed that a disposition by a testator of the legal estate of immovables abroad must be governed or regulated by the *lex rei situs*, whatever intention to the contrary he might have expressed in his will; but it was argued that effect could be given to the testator's intention where the passing of the property involved no change in the legal estate. It was said that the legal estate in the testator's land in South Africa vested in his trustees after his death; the property had now passed by reason of the death of a tenant for life (the second baronet), but the legal estate remained in the testator's trustees and the beneficiary was now another tenant for life. Consequently, it was argued, the passing on the death of the second baronet was regulated by the "proper law" of the testator's will, which was the law of England. In other words, the argument of the Crown was that any regulation by the law of South Africa came to an end

when that law permitted the trustees to take the property on the death of the first baronet, and the regulation of the passing of the property on the death of the second baronet was purely a matter of English law.

His Lordship did not agree, and said he could not read Section 28 (2) as introducing a new conception into the law of testamentary succession; he did not think the "proper law" meant any more than the law regulating the disposition under or by virtue of which the foreign immovable passed, and it was immaterial whether the "disposition" contained a trust for sale or not. Lord Denning, too, said it was not disputed that a trust for sale did not alter the quality of property. If it were land, then, so long as the land had not been sold, the interest of the beneficiary remained immovable property: see *In Re Berchtold* [1923] 1 Ch. 192. It followed that when the life tenant died and the right to the income passed from him to his successor, the disposition under which it passed was regulated by the *lex situs* just as if it were a direct devise. Viscount Simonds said, *obiter*, that he would not exclude the possibility that, if and when the South African property were sold and the proceeds were gathered in, the proper law regulating the disposition would be English law, but it was not necessary for the purposes of the case to decide that question. So much, however, was also implied by Lord Denning, and it would certainly seem, if estate duty is to be avoided, that foreign immovable property held on trust for sale should not be sold pending further clarification of what happens in that event where the testator is domiciled in England.

#### Estate Duty

*Exemptions and remissions—Pictures and objects of artistic interest—Bequest of exempted chattels "free of duty"—Incidence of duty payable on future sale—Finance Act, 1896, Section 20—Finance (1909-10) Act, 1910, Section 63—Finance Act, 1930, Section 40 (1)—Finance Act, 1950, Section 48 (1).*

In *Bedford (Duke) (deceased); Russell and Another v. Bedford and Others* [1960] 3 All E.R. 756, a testator by his will dated February 21, 1952, bequeathed to his three children "free of duty" chattels of national, scientific, historic or artistic interest within the meaning of Section 40 (1) of the Finance Act, 1930, so that they were exempt from duty until sale or breach of Section 48 (1) of the Finance Act, 1950, which requires an undertaking to be given to

the Treasury that (a) the objects will be kept permanently in the United Kingdom, (b) reasonable steps will be taken for the preservation of the objects, and (c) reasonable facilities for examining the objects will be afforded to persons authorised by the Treasury. The testator made other bequests and a devise, all free of duty, and directed that the residue of his estate was to be held on the usual trusts for sale and conversion, and further that out of the proceeds of sale his trustees were to "pay the estate duty payable on [his] death" in respect of any part of his estate, real or personal, and "all legacy, succession and other duties payable on [his] death on any gifts which by [his] will . . . are made free from duty." The ultimate residue was to be divided among named legatees. The testator died on October 9, 1953.

The executors of the testator's will applied to the Court for the determination of the questions: (i) whether the specific legatees of the chattels exempt from duty would or would not be entitled to be paid out of the residuary estate the estate duty which would become payable (a) on sale by them in their lifetime of such chattels or any of them, or (b) on breach of the statutory undertaking relating to such chattels, and (ii), if the answer to question (i) were in the affirmative, what provision the executors should make for the duty contingently payable with a view to the distribution of the balance of the residuary estate. At the time of the application none of the exempt chattels had been distributed among the legatees and there had been no sale of any of them.

Cross, J., said that the rate of duty on the residuary estate, having regard to the settled property which passed on the testator's death, was the highest rate of 80 per cent. Consequently, if the duty contingently payable in respect of the exempt chattels had to be provided for out of residue, a large part of the residuary estate—possibly all of it—would have to be held up to abide the event whether or not the duty had to be paid. His Lordship reviewed the statutory provisions relating to exempt chattels and the case law on the subject. He said that Section 20 of the Finance Act, 1896, was confined to estate duty and settled chattels. Section 63 of the Finance (1909-10) Act, 1910, extended the exemption to legacy duty and succession duty, and also to cases where the chattels were not settled but were the subject of an absolute bequest. In that case it was provided that the duty should become chargeable only when the property was sold, and then only in



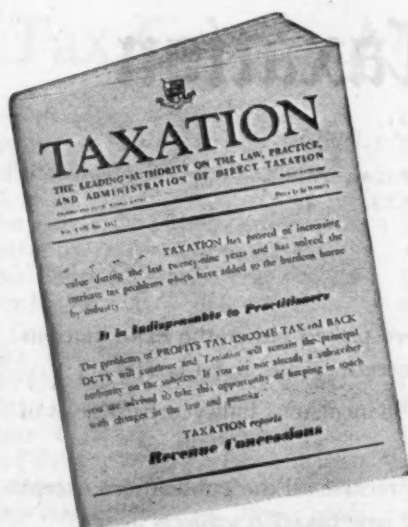
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respect of the last death on which the property passed. If, therefore, exempted chattels were given absolutely to a legatee and he sold them during his lifetime, duty would become payable in respect of the death of the original testator; whereas, if the legatee retained the chattels during his lifetime and then died, so that they passed on his death and were sold by the next taker, duty would not be payable in respect of the death of the original testator but in respect of the death of the legatee.

Section 40 of the Finance Act, 1930, repealed the earlier legislation, and, in re-enacting it, amended it by making the duty payable not on the value of the chattels at the death of the testator but on the proceeds of their sale when they come to be sold. Section 48 of the Finance Act, 1950, added the statutory undertakings required by the Treasury.

In *Re Leconfield, Wyndham v. Leconfield* (1904) 90 Law Times Rep. 399 (which was a case on the Act of 1896), a testator directed his trustees to pay out of residue "so much of the estate duty

and other death duties . . . which . . . shall become payable upon or by reason of my death . . ." The Court of Appeal held that the estate duty that might become payable on the exempted chattels would not be payable "on or by reason of the death" but in consequence of a sale of the chattels or their coming into the possession of an absolute owner. Accordingly, the duty would not be payable out of residue. This case was distinguished in *Re Scott, Scott v. Scott* [1916] 2 Ch. 268, where exempt chattels were bequeathed free of legacy duty and the greater part of the chattels was sold by the legatee before she was put in possession of them by the executors. The Court of Appeal held in the latter case that a bequest of chattels free of duty was apt to cover duty payable "in respect of" the death, though not payable immediately on the death, and was different from a direction to pay duties chargeable "upon or by reason of" the death, so that the duty fell to be paid out of residue.

In *Re Oppenheimer, Tyser v. Oppen-*

*heimer* [1948] Ch. 721 (a case under the Act of 1930), the words used by the testator were "free from all duties in respect of my death." There Roxburgh, J., followed the decision in *Re Scott*, and in the present case Cross, J., also applied that decision. He said that construction led to an even greater inconvenience than in 1916 (the date of the decision in *Scott's* case) because the duty was now payable on the proceeds of sale, the amount of which was totally uncertain and might be vastly greater than the probate value of the chattels. It would be wrong, however, to read the words "pay the estate duty payable on my death" and "all legacy, succession and other death duties payable on any gifts which by my will . . . are made free from duty" in the latter part of the will as cutting down the *prima facie* meaning of the phrase "free of duty" in the earlier part of the will. His Lordship therefore held that the duty would be payable out of the residuary estate, but he stood over the second question for determination by the Court.

## Tax Cases—Advance Notes

### HOUSE OF LORDS

**Henry Briggs, Son & Co. Ltd. (in voluntary liquidation) v. C.I.R.** December 21, 1960.

The House of Lords dismissed the appeal of the company from the decision of the Court of Appeal (see ACCOUNTANCY for May, 1960, page 288).

COURT OF APPEAL (Lord Evershed, M.R., Harman and Donovan, L.JJ.)

**C.I.R. v. Bernstein.** December 9, 1960.

Their Lordships unanimously dismissed this appeal by the Revenue from the decision of Danckwerts, J. (see ACCOUNTANCY for May, 1960, pages 287-8). Leave to appeal to the House of Lords was refused.

**Wilkins (H.M.I.T.) v. Rogerson.** December 13, 1960.

Their Lordships unanimously dismissed this appeal by the Revenue from the decision of Danckwerts, J. (see ACCOUNTANCY for April, 1960, page 239). Leave to appeal to the House of Lords was refused.

**Grosvenor Place Estates Ltd. v. Roberts (H.M.I.T.).**

Their Lordships (Harman, L.J., dissenting) dismissed this appeal by the company from the decision of Danckwerts, J. (see ACCOUNTANCY for April, 1960, pages 232-3). Leave to appeal to the House of Lords was granted.

CHANCERY DIVISION (Danckwerts, J.)

**Littlewoods Mail Order Stores Ltd. v. C.I.R.** November 17, 1960.

The appellant company was tenant of Jubilee House, at a yearly rent of £23,444 under a ninety-nine-year lease granted in 1947. The landlord O. wished to obtain a higher rent, and, to do so, was prepared to grant a shorter lease. To effect this, the existing lease needed to be brought to an end. The following transactions took place with a view to achieving these objects with a minimum of stamp duties.

On December 8, 1958, a lease was granted by O. to the appellant company of Jubilee House for twenty-two years

and ten days, at a rent of £6 a year. That operated as a surrender of the existing lease, which had eighty years unexpired, and put an end to the term created by that lease. On December 9, 1958, the appellant company executed an assignment ("Fork") of the lease for twenty-two years and ten days at a rent of £6 a year. On December 10, 1958, an under-lease was executed by Fork back to the appellant company of Jubilee House for twenty-two years at a rent of £42,450 a year. On December 11, 1958, a deed described as a deed of exchange was made between O. and Fork by which Fork assigned to O. the lease for twenty-two years and ten days at £6 a year subject to and with the benefit of the under-lease which had been granted by Fork to the appellant company at £42,450 a year for twenty-two years, and O. conveyed its fee simple of Jubilee House to Fork, subject to and with the benefit of the lease.

Danckwerts, J., held that (1) because of the amendment of Section 42 of the Finance Act, 1930, by Section 50 (1) of the Finance Act, 1938, the assignment of December 9, 1958, was not exempt from duty; (2) the document of December 11, 1958, was exempt from *ad valorem* duty, as being an exchange.

## The Month in the City

### Government Funding and Bank Rate

A year ago it would have been thought strange that a fall in Bank Rate should have no beneficial effect on long-term interest rates. Last month the index of government securities fell a full point, and a considerable fraction of the fall in this market took place after bank rate had been reduced from  $5\frac{1}{2}$  to 5 per cent. The same is true of other fixed interest securities, while the general run of equities recovered after the reduction and actually stand a trifle higher on the month. It seems that one of the lessons learned during 1960 has been that there is no automatic and immediate connection between long and short interest rates; that government policy on how far it should fund longer-term debt is the dominant factor in the market; and that the government has learned to use this instrument effectively, although its manipulations are, perhaps, still not flexible enough to yield the best results. A further factor which has influenced fixed interest stocks during December, and which is closely associated with official funding, has been the announcement that the bulk of the steel industry debentures and preference shares still held by the *Iron and Steel Holding and Realisation Agency* will be put on the market as soon as the height of the tax-paying season is past. Other factors largely affecting the markets have been the continuance of an adverse balance of payments, coupled on this occasion with some weakness in sterling and further British action to help the dollar; continued uncertainty about the future of industrial activity in the United States and about wage rates at home; and the announcement of a number of new issues—not least a report of a large rights issue by *I.C.I.* The year ended with markets quiet but fairly firm. The following table shows the changes on the month and the high and low figures for 1960 of the *Financial Times* indices. All the high quotations were recorded in the first week of the year and all the lows during last month—except in gold mines, which have recovered considerably from the political troubles of July and August.

|                       |    |    | Dec. 30 | Nov. 30 | High 1960 | Low 1960 |
|-----------------------|----|----|---------|---------|-----------|----------|
| Government securities | .. | .. | 79.29   | 80.13   | 85.35     | 79.10    |
| Fixed interest        | .. | .. | 86.93   | 87.94   | 94.96     | 86.93    |
| Industrial Ordinary   | .. | .. | 305.3   | 302.3   | 342.9     | 293.4    |
| Gold mines            | .. | .. | 77.5    | 75.0    | 90.0      | 62.6     |

The yield on Consols had been 1.30 point below that on Ordinary at the end of 1957 and the same amount above at the end of 1959. Last month the margin rose from 0.77 to 0.86, above Ordinary

### Finance for South Africa

In view of the great difficulty of raising additional finance for any type of African enterprise, a special effort is being made by some of the finance houses directly interested. In effect *Rand Selection*, "*Chartered*," *De Beers*, *Anglo American Corporation*, *Rand American Investments* and "*Johnnies*" are agreeing to pool certain assets so as to form a major company which, it is hoped, will be able to raise money both here and in the United States more easily than any of them could do individually. The result will be to increase the net assets of *Rand Selection* to over £100 million, of which 44 per cent. would be in gold mining companies and 30 per cent. in mining finance companies, the remaining 26 per cent. being split among a wide variety of ventures, some associated with copper and base metal production. It is not clear how far this plan will relieve would-be investors of their anxieties about investment in Africa, but no doubt the fact that *R.S.T.* will have considerable investments in North America will be an attraction.

### Unit Trust Developments

A week before Christmas the Association of Unit Trust Managers issued rules governing the conduct of its members. These are intended to supplement the regulations laid down by the Board of Trade, and should go far to meet the major criticisms of the movement. The rules include a ban on any statement in an advertisement which tends to mislead the public; a provision that the proceeds of newly constituted units must be paid immediately into a bank account under the control of the trustee; and a prohibition on managers acting as principals, so that any profit on buying

securities and transferring them to the trust will belong to the unit holders and not to the management. All this seems excellent so far as it goes, although it remains to be seen whether the first rule effectively overcomes the objections to block issues. When it comes to the question of who should pay agents' commission, if agents are employed, the Association is not prepared to impose this cost on its members. It lays down that if commissions are paid all advertisements must state that this is the practice; and it limits appointments as agents to a considerable list which includes banks, stockbrokers, solicitors, accountants, insurance brokers, licensed dealers and others approved by the general purposes committee. But the commission will still be part of the cost of the unit, and it seems probable that this alone will prevent the Municipal and General group from joining the Association. Meanwhile, November brought a further net repurchase from unitholders amounting to some £600,000, and in that month there was only one block issue, that of the *Domestic Unit Trust*; December brought only the "*Scotshares*" offer. One other operation, which will strengthen the movement, is the transfer to the *Unicorn* group of the management of "*Cupids*."

### Other Fusions

After some six weeks the market has been given the terms of the projected merger of *Coats and Patons* and *Baldwins* announced at the end of October. Its reaction has been that the latter company has done better than was expected, or than seemed probable on the basis of market prices before the announcement. This may possibly mean that one or both of the companies has been more secretive than is commonly the case, but there is no reason to suppose that the experts have gone astray in their assessment of the relative worth of the two concerns. Several small fusions have been suggested during the month, but the only operation of the first importance is the bid by the *Royal Insurance Company*, already the largest composite office in the Commonwealth, for *London and Lancashire*. The offer puts a value of 58s. on the 5s. units of the *London and Lancashire*, against a market price of 48s. 3d. at the time of the offer and a low for the year of 39s. After the fusion the group will have a total premium income, on the latest figures, of £172 million against £107 million for the *Commercial Union* group.



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## Points From Published Accounts

### Company Accounts

Accountants hold differing views on the inclusion or otherwise in annual accounts of information concerning events occurring after the balance sheet date. Some consider that a balance sheet is similar to a snapshot, showing the position at the time the snap was taken. Others consider that the accounts should be more like a landscape painting and so, where

appropriate to give a true and fair view, should include information concerning post-balance sheet events. A note on the balance sheet of *Associated Engineering Limited*, whose accounts for the year ended September 30, 1960, are reproduced below, contains information concerning the share premium which arose on the completion of the acquisition of Société E. Demolin and S.A.F. du

Piston Borgo six days after the date of the balance sheet. As the notice of the annual meeting which accompanies the accounts contains proposals for capitalising the share premium account at December 16, 1960, disclosure of additions subsequent to September 30, 1960, is necessary in the accounts or in the accompanying documents if the capitalisation proposals are to be understood. Part of the consideration for the shares of these new subsidiaries was £120,000 Ordinary stock, and although this additional stock is not included in the issued capital at September 30, 1960, a note on the consolidated profit and loss account discloses that the proposed

### ASSOCIATED ENGINEERING LIMITED AND SUBSIDIARY COMPANIES

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 1960

|   | £         | £         | 1959      | £         |
|---|-----------|-----------|-----------|-----------|
| NET MANUFACTURING AND TRADING PROFITS .. .. .       |           | 4,628,172 |           | 3,814,688 |
| (Subject to items set out below)                    |           |           |           |           |
| Deduct:   |           |           |           |           |
| Depreciation .. .. .                                | 847,152   |           | 755,671   |           |
| Interest on Loans and A.E. Ltd.                     |           |           |           | 8,148     |
| Debenture Stock .. .. .                             | 10,697    |           |           |           |
| Directors' Remuneration (Note 1) .. .. .            | 100,260   |           | 95,279    |           |
|   |           | 958,109   |           | 859,098   |
| CONSOLIDATED PROFIT BEFORE TAXATION .. .. .         |           | 3,670,063 |           | 2,955,590 |
| Deduct:   |           |           |           |           |
| Taxation based on the Profits of the year:          |           |           |           |           |
| Profits Tax .. .. .                                 | 378,135   |           | 279,530   |           |
| Income Tax .. .. .                                  | 1,336,782 |           | 1,118,968 |           |
| Overseas Tax .. .. .                                | 72,310    |           | 33,586    |           |
|   |           | 1,787,227 |           | 1,432,084 |
| CONSOLIDATED PROFIT AFTER TAXATION .. .. .          |           | 1,882,836 |           | 1,523,506 |
| Deduct:   |           |           |           |           |
| Minority Shareholders' Interest therein .. .. .     |           |           |           | 1,186     |
| NET PROFIT ATTRIBUTABLE TO A.E. LTD. .. .. .        |           | 1,882,836 |           | 1,522,320 |
| Deduct:   |           |           |           |           |
| A.E. Ltd. Dividends for 1960 less Income Tax:       |           |           |           |           |
| 5½% Redeemable Cumulative Preference Shares .. .. . | 101,062   |           | 96,783    |           |
| Ordinary Stock:                                     |           |           |           |           |
| Interim 5% .. .. .                                  | 158,576   |           | 158,576   |           |
| Proposed Final 15% (Note 3) .. .. .                 | 486,754   |           | 396,441   |           |
|   |           | 645,330   |           | 555,017   |
|   |           | 746,392   |           | 651,800   |
| NET RETAINED PROFIT FOR 1960 ..                     |           | 1,136,444 |           | 870,520   |
| BALANCE FROM 1959 .. .. .                           |           | 446,773   |           | 444,107   |
| Add:  |           |           |           |           |
| Taxation Provisions not required                    |           |           | 144,595   |           |
| Pension Provision not required ..                   |           |           | 75,000    |           |
|   |           |           | 219,595   |           |
|   |           | 1,583,217 |           | 1,534,222 |
| Deduct:   |           |           |           |           |
| Transfers:  |           |           |           |           |
| General Reserves .. .. .                            | 1,000,000 |           | 1,000,000 |           |
| Capital Reserves .. .. .                            | 138,459   |           | 87,449    |           |
|   |           | 1,138,459 |           | 1,087,449 |
| BALANCE TO 1961 .. .. .                             |           | £444,758  |           | £446,773  |

#### NOTES ON CONSOLIDATED PROFIT AND LOSS ACCOUNT

- Directors' Remuneration**  
 The remuneration of £100,260 charged in the year's account is made up of:
 

|   | 1960     | 1959    |
|---|----------|---------|
| Fees .. .. .                                  | 1,000    | 1,000   |
| Other Emoluments including Pension Provisions | 96,260   | 91,279  |
| Pensions to Former Directors .. .. .          | 3,000    | 3,000   |
|   | £100,260 | £95,279 |
- Income from Investments included in the Consolidated Profit for the year was:**

|                                    | 1960    | 1959    |
|------------------------------------|---------|---------|
| Overseas Trade Investments .. .. . | 42,772  | 28,143  |
| Quoted Investments .. .. .         | 1,205   | 1,380   |
|                                    | £43,977 | £29,523 |
- Proposed Final Dividend on Ordinary Stock**  
 The proposed Final Dividend of 15% has been provided as payable on £5,298,004 10s. Ordinary stock, which includes the £120,000 stock issued subsequent to September 30, 1960, in accordance with the contracts mentioned in Note 5 on the A.E. Ltd. balance sheet.

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## ASSOCIATED ENGINEERING LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED BALANCE SHEET — SEPTEMBER 30, 1960

|  | £          | £           | 1959<br>£   |
|--|------------|-------------|-------------|
| <b>FIXED ASSETS</b>  |            |             |             |
| Freehold and Leasehold Land and Buildings (Note 1) .. .. .         | 4,629,816  |             | 4,333,111   |
| Plant, Machinery and Equipment (Note 1) .. .. .                    | 4,442,036  |             | 3,787,168   |
|  | 9,071,852  |             | 8,120,279   |
| Overseas Trade Investments at Cost (Note 2) .. .. .                | 729,897    |             | 429,897     |
|  |            | 9,801,749   | 8,550,176   |
| <b>CURRENT ASSETS</b>  |            |             |             |
| Stocks and Work-in-Progress .. .. .                                | 5,160,814  |             | 3,858,720   |
| Debtors and Prepayments less Provisions                            | 5,065,492  |             | 3,798,340   |
| Quoted Investments at Cost .. .. .                                 | 33,894     |             | 33,894      |
| (Market Value 1960—£36,435. 1959—£36,873).                         |            |             |             |
| Tax Reserve Certificates .. .. .                                   | 1,000,000  |             | —           |
| Short Term Deposits .. .. .  | 1,250,000  |             | 650,000     |
| Balances at Bankers and Cash in Hand                               | 1,733,423  |             | 1,563,025   |
|  | 14,243,623 |             | 9,903,979   |
| <b>Less: CURRENT LIABILITIES AND PROVISIONS</b>                    |            |             |             |
| Creditors and Accrued Charges 2,679,563                            |            | 1,719,268   |             |
| Loans (£73,004 Secured) .. .. .                                    | 121,528    | 79,792      |             |
| Current Taxation (Note 3) .. .. .                                  | 1,766,991  | 1,396,414   |             |
| Provision for Pensions .. .. .                                     | 50,942     | 50,942      |             |
| Net Final Dividend on A.E. Ltd. Ordinary Stock .. .. .             | 486,754    | 396,441     |             |
|  | 5,105,778  | 3,642,857   |             |
|  | 9,137,845  | 6,261,122   |             |
| <b>Less: FUTURE TAXATION (Note 3) .. .. .</b>                      | 1,287,000  | 1,091,000   |             |
|  |            | 7,850,845   | 5,170,122   |
| <b>NET ASSETS OF THE GROUP</b>                                     |            | £17,652,594 | £13,720,298 |
| <b>Represented by:</b>   |            |             |             |
| A.E. LTD. 5½% PREFERENCE CAPITAL .. .. .                           | 3,000,000  |             | 3,000,000   |
| A.E. LTD. ORDINARY STOCKHOLDERS' INTEREST                          |            |             |             |
| Ordinary Stock .. .. .   | 5,178,005  |             | 5,178,005   |
| Share Premium Account .. .. .                                      | 951,624    |             | 1,026,624   |
| Capital Reserves (Note 4) .. .. .                                  | 68,896     |             | 68,896      |
| Revenue Reserves—  |            |             |             |
| General .. .. .  | 5,000,000  |             | 4,000,000   |
| Unappropriated Profits .. .. .                                     | 444,758    |             | 446,773     |
|  | 11,643,283 |             | 10,720,298  |
| <b>A.E. LTD. STOCK AND SHAREHOLDERS' INTEREST</b>                  |            | 14,643,283  | 13,720,298  |
| A.E. LTD. 6½% DEBENTURE STOCK 1980/85 (£50 per cent. paid) .. .. . |            | 3,000,000   | —           |
| MINORITY SHAREHOLDERS' INTEREST .. .. .                            |            | 9,311       | —           |
|  |            | £17,652,594 | £13,720,298 |

## NOTES ON CONSOLIDATED BALANCE SHEET

## 1. Land, Buildings, Plant, Machinery and Equipment

|  | At Cost or Valuation | Net Additions for year at Cost | Depreciation Provisions | Net Book Value Sept. 30, 1960 |
|--|----------------------|--------------------------------|-------------------------|-------------------------------|
| Freehold and Leasehold Land and Buildings .. | 4,677,908            | 389,912                        | 438,004                 | 4,629,816                     |
| Plant, Machinery and Equipment ..            | 8,094,077            | 1,344,973                      | 4,997,014               | 4,442,036                     |
|  | £12,771,985          | £1,734,885                     | £5,435,018              | £9,071,852                    |
| 1959   | £11,772,722          | £999,263                       | £4,651,706              | £8,120,279                    |

The land and buildings are shown on the basis of valuations made in the years 1953 to 1955 with subsequent additions at cost.

## 2. Overseas Trade Investments

|  | 1960     | 1959     |
|--|----------|----------|
| Quoted Investments .. .. .                   | 580,000  | 280,000  |
| (Market Value 1960—£783,000. 1959—£472,500). |          |          |
| Unquoted Investments .. .. .                 | 149,897  | 149,897  |
|  | £729,897 | £429,897 |

## 3. Taxation

Current taxation includes the whole of the income tax liability 1960/61 payable January 1, 1961. Future taxation of £1,287,000 represents the reserve for the estimated income tax liability 1961/62 due January 1, 1962, after taking into account investment allowances amounting to £220,000.

## 4. Capital Reserves

|  |         |
|--|---------|
| Balance September 30, 1959 .. .. .   | 68,896  |
| Add: Transfer from Profit and Loss Account .. .. .   | 138,459 |
|  | 207,355 |
| Deduct: Excess of Purchase Price of Subsidiary acquired during the year over the Book Value of the Net Assets at date of acquisition .. .. . | 138,459 |
| Balance September 30, 1960 .. .. .   | £68,896 |

## 5. Conversion to Sterling

Assets and liabilities in foreign currency have been converted at the rates ruling at September 30, 1960.

## 6. Capital Commitments

The capital commitments for which no provision has been made in the accounts are estimated at £2,114,000 (1959—£580,000).

## 7. Contingent Liabilities

There are contingent liabilities of £273,609 in respect of bills discounted by subsidiary companies.

H. R. MOORE } Directors.  
C. G. MOIRA }

final dividend has been provided as payable on an amount of Ordinary stock which includes the £120,000 issued subsequent to the balance sheet date. The net final dividend is then shown in the balance sheet in a group which is described as "Current Liabilities" and in the consolidated balance sheet as "Current Liabilities and Provisions." A curious result is achieved in that an amount which becomes payable on January 21, 1961 (the date on which the proposed final dividend is to be paid), and arises from transactions completed on October 6, 1960, is shown amongst

"current liabilities" as at September 30, 1960.

No information is given in the accounts of Associated Engineering Limited concerning the manner in which the amount carried forward for stocks and work-in-progress has been computed. A similar comment applies to the recently published accounts of the *British Motor Corporation Limited* for the year ended July 31, 1960.

The note under the heading "Future Expenditure" on the accounts of the *British Motor Corporation* gives, in addition to the amount of outstanding

contracts not provided for in the accounts, information concerning the group capital expenditure programme over the next three years; it is shown that this is expected to involve £43 million more than the £12 million mentioned as the amount of outstanding contracts. In the accounts of Associated Engineering Limited, however, the note on the balance sheet gives the capital commitments, and information concerning capital expenditure approved by the Board of directors is given in the chairman's statement, a copy of which accompanies the accounts.



## ASSOCIATED ENGINEERING LIMITED

## BALANCE SHEET—SEPTEMBER 30, 1960

|  | £          | £                  | 1959<br>£         |
|--|------------|--------------------|-------------------|
| <b>FIXED ASSETS</b>  |            |                    |                   |
| Shares in and Loans to and from Subsidiary Companies:                  |            |                    |                   |
| Shares at Cost ..  | 8,661,372  |                    | 8,291,407         |
| Loans to Subsidiaries ..   | 3,754,033  |                    | 1,990,968         |
|  | 12,415,405 |                    | 10,282,375        |
| Less: Loans from Subsidiaries ..                                       | 1,178,425  |                    | 1,874,372         |
|  |            | 11,236,980         | 8,408,003         |
| Freehold Land and Buildings at Cost (Less: Depreciation £3,316) ..     |            | 36,420             | 15,300            |
| Office Furniture and Equipment at Cost (Less: Depreciation £11,403) .. |            | 31,863             | 16,061            |
|  |            | 11,305,263         | 8,439,364         |
| <b>CURRENT ASSETS</b>  |            |                    |                   |
| Dividends Receivable from Subsidiary Companies ..                      | 857,500    |                    | 765,625           |
| Debtors and Prepayments ..   | 17,063     |                    | 9,631             |
| Short Term Deposits ..   | 1,250,000  |                    | 650,000           |
| Tax Reserve Certificates ..  | 1,000,000  |                    | —                 |
| Balances at Bankers and Cash in Hand ..                                | 839,547    |                    | 199,033           |
|  | 3,964,110  |                    | 1,624,289         |
| Less: CURRENT LIABILITIES  |            |                    |                   |
| Creditors ..   | 104,499    |                    | 6,881             |
| Current Taxation ..  | 22,871     |                    | 64,133            |
| Net Final Dividend on Ordinary Stock ..                                | 486,754    |                    | 396,441           |
|  |            | 614,124            | 467,455           |
|  |            | 3,349,986          | 1,156,834         |
| Less: Estimated Income Tax Liability 1961/62 ..                        | 4,000      |                    | 2,600             |
|  |            | 3,345,986          | 1,154,234         |
| <b>NET ASSETS ..</b>   |            | <b>£14,651,249</b> | <b>£9,593,598</b> |

|  |                    |                  |                  |
|--|--------------------|------------------|------------------|
| <b>Represented by</b>  | <b>Authorised</b>  | <b>Issued</b>    |                  |
| <b>SHARE CAPITAL</b>   |                    |                  |                  |
| 5½% Redeemable Cumulative Preference Shares of £1 each (Note 1) .. | 3,000,000          | 3,000,000        | 3,000,000        |
| Ordinary Stock Units of 5s. each ..                                | 5,178,004 10s.     | 5,178,004 10s.   | 5,178,005        |
| Ordinary Shares of 5s. each  | 1,821,995 10s.     | —                | —                |
|  | <b>£10,000,000</b> | <b>8,178,005</b> | <b>8,178,005</b> |

|                                   |           |           |           |
|-----------------------------------|-----------|-----------|-----------|
| <b>RESERVES</b>                   |           |           |           |
| Share Premium Account (Note 2) .. | 951,624   | 1,026,624 |           |
| Capital Reserve ..                | 68,896    | 68,896    |           |
| Revenue Reserves—                 |           |           |           |
| General (Note 3) ..               | 2,325,000 | 175,000   |           |
| Unappropriated Profits            | 127,724   | 145,073   |           |
|                                   |           | 3,473,244 | 1,415,593 |

|   |  |                    |                   |
|---|--|--------------------|-------------------|
| <b>LOAN CAPITAL</b>   |  |                    |                   |
| £6,000,000 6½% Debenture Stock 1980/85 (£50 per cent. paid) (Note 4) .. |  | 3,000,000          | —                 |
|   |  | <b>£14,651,249</b> | <b>£9,593,598</b> |

## NOTES ON BALANCE SHEET

- 5½% Redeemable Cumulative Preference Shares**  
The 5½% Redeemable Cumulative Preference shares of £1 each are redeemable at the option of the company after September 30, 1970, at a premium of 1s. 6d. per share and are finally redeemable on October 1, 1980, at the same premium.
- Share Premium Account**  
(a) Balance September 30, 1959 .. .. . 1,026,624 10s.  
Deduct: Expenses of issue of £6,000,000 6½% Debenture Stock 1980/85 .. .. . 75,000  
Balance September 30, 1960 .. .. . £951,624 10s.  
(b) Since the date of these Accounts the Share Premium Account has been increased by the premium on the issue of 480,000 Ordinary Stock Units on the acquisition of Société E. Demolin .. .. . 318,000  
From which must be deducted the Capital Duty payable on the proposed increase in Share Capital .. .. . 12,500  
£305,500  
(c) The amount recommended to be capitalised (see Directors' Report) is made up:—  
Balance September 30, 1960 .. .. . 951,624 10s.  
Addition subsequent to September 30, 1960 .. .. . 305,500  
£1,257,124 10s.
- Revenue Reserves—General**  
Balance September 30, 1959 .. .. . 175,000  
Add: Transfer from Profit and Loss Account .. .. . 150,000  
Special Dividends out of the General Reserves of Subsidiary Companies .. .. . 2,000,000  
Balance September 30, 1960 .. .. . £2,325,000
- £6,000,000 6½% Debenture Stock 1980/85 (£50 per cent. paid)**  
By a resolution of the Board dated September 21, 1960, £6,000,000 6½% Debenture Stock was created and issued at par payable as to £50 per cent. on September 28, 1960, £25 per cent. on January 9, 1961, and £25 per cent. on March 6, 1961.  
This stock is secured by a first floating charge on the assets of the company and of its United Kingdom subsidiary companies.
- Acquisition of new Subsidiary Companies**  
On October 6, 1960, the company completed the acquisition of the whole of the issued share capitals of Société E. Demolin and S.A.F. du Piston Borgo, two companies registered in France, for the sum of £804,606 payable as to £366,606 in cash and the balance of £438,000 by the issue as fully paid of 480,000 Ordinary stock units of 5s. each in the company.  
This transaction is not reflected in these accounts.
- Capital Commitments**  
Capital commitments, in addition to those set out in Note 5, for which no provision has been made in the accounts, are estimated at £17,000.

H. R. MOORE }  
C. G. MOIRA } Directors.

AUDITORS' REPORT  
TO THE MEMBERS OF ASSOCIATED ENGINEERING LIMITED

We have audited the books and accounts of Associated Engineering Limited for the year ended September 30, 1960, and have obtained all the information and explanations that we considered necessary. Proper books of account have been kept and the balance sheet on pages 16 and 17 is in agreement therewith.

The said balance sheet and the profit and loss account contained in the directors' report on page 10 give the information required by the Companies Act, 1948, and give, in our opinion, a true and fair view of the state of the company's affairs as at September 30, 1960, and of the profit for the year ended on that date.

The consolidated balance sheet on pages 14 and 15 and the consolidated profit and loss account on pages 12 and 13 have been prepared in accordance with the provisions of the said Act from the audited accounts of the company and its subsidiaries, some of which have not been audited by us, so as to give, in our opinion, a true and fair view of the state of affairs as at September 30, 1960, and of the profit for the year ended on that date of the company and its subsidiaries regarded as a single undertaking.

THOMSON McLINTOCK & Co.,  
Chartered Accountants.

LONDON, December 19, 1960.

### Bank Accounts

The annual accounts of the large banks will become available at the time ACCOUNTANCY goes to press, but the accounts of *Barclays Bank D.C.O.* to September 30, 1960, and of the *National Commercial Bank of Scotland Limited* to October 29, 1960, both of which have recently become available, give an indication of what may be expected from the larger banks in January.

From an accounting point of view, the balance sheet of *Barclays Bank D.C.O.* is interesting in that the assets follow the usual form adopted by banks, for they state the assets in their order of liquidity to the bank. On the other side of the balance sheet an attempt is made to deal with liabilities on a similar basis. The authorised capital of the bank is, however, stated in the middle of the balance sheet, and it seems that it would

be more convenient to a reader of the accounts if the authorised capital were stated last, having been preceded by the "balance of profit and loss account," "reserve fund" and the issued capital.

Whilst *Barclays Bank D.C.O.* follows the normal practice of stating "acceptances, guarantees, indemnities, etc., for account of customers" amongst its "current liabilities, provisions and other accounts" and shows a similar amount for "customers' liability for acceptances, guarantees, indemnities, etc." on the other side of the balance sheet, the *National Commercial Bank of Scotland* deals with such liabilities and assets by way of note.

### Unit Trust Accounts

The half-yearly accounts of the *Investment-Trust-Units* to October 15, 1960, and of *British Shareholders Trust* to

November 16, 1960, have recently been issued. The accounts of the *Investment-Trust-Units* are in the form of a capital account and an income and expenditure account, whilst those of *British Shareholders Trust* are in the form of a balance sheet. Information concerning the income and expenditure of *British Shareholders Trust* is given in a statement which is reduced to pence per unit, and does not give total amounts as does the account of *Investment-Trust-Units*. It appears that those responsible for preparing these accounts could learn something from each other, for it would be clearer if each of the Unit Trusts issued at the end of each period a balance sheet and an income and expenditure account for the period, both of which should include the corresponding amounts for the immediately preceding period.

## Legal Notes

### Company Law

#### Appeal against Rejection of Proof

In *In re Trepcia Mines Ltd.* [1960] 1 W.L.R. 1273, the Court of Appeal approved and applied the principle laid down by Buckley, J., in *In re Kentwood Construction Ltd.* [1960] 1 W.L.R. 646 (see ACCOUNTANCY, August, 1960, page 445), that on an appeal against the rejection of a proof in a winding-up it was not the function of the Court merely to say whether the liquidator's decision was right or wrong; the Court might vary that decision in any way it thought necessary in the light of the evidence before it.

In the voluntary winding-up of a British company the appellant had submitted a proof for £2.5 million with interest, which he claimed on the basis of (a) his chance of success on an appeal against a decision of the Supreme Court of Serbia, which had reversed a judgment of a Belgrade court in favour of the appellant against the company, or, alternatively, (b) the value of the appellant's claim to be indemnified for his loss as a result of the wrongful exploitation of his mining rights by the company. The

liquidator rejected the proof. The creditor in person conducted his appeal to Roxburgh, J., through an interpreter. Roxburgh, J., held that both claims failed: (a) because the judgment of the Belgrade court was a judgment *in personam* of a foreign court to whose jurisdiction the company had not submitted; (b) because it was barred by the Limitation Act. On his appeal to the Court of Appeal the creditor was represented by leading Counsel. That Court held that Roxburgh, J., was wrong on both points. It said that the action in Yugoslavia was a mixed action involving mining rights in Yugoslavia, and, as mining rights are immovables, only the Yugoslav courts had jurisdiction; also, that the learned Judge was wrong in his view of the effect of the Limitation Acts. Accordingly, although the value of the claims might well be negligible, the value must be assessed, and the appeal should be allowed so that an assessment could be made.

### Company Law—

#### Compulsory Purchase of Minority Shareholding

In *In re Bugle Press Ltd.* [1960] 3 W.L.R. 956, the Court of Appeal affirmed the decision of Buckley, J., which was noted in ACCOUNTANCY for May, 1960, on page 300. S and J between them held 90 per cent. of the shares in the B com-

pany and T the other 10 per cent. S and J promoted, and took all the shares in, a transferee company, which made an offer for the shares of the B company. S and J were willing to accept the offer, but T refused. In proceedings under Section 209 of the Companies Act, 1948, the Court held that T was justified in his refusal. In a case such as this, where the majority shareholders and the transferee company were in substance the same persons, the Court ought not to allow a minority shareholder to be expropriated unless some good reason in the interests of the company were shown for so doing—for example, if the minority shareholder was in some way acting in a manner highly damaging to the interests of the company from some motives entirely of his own.

### Company Law—

#### Winding-up Order Opposed by Majority of Creditors

In *In re Vuma Ltd.* [1960] 1 W.L.R. 1283, the Court of Appeal held that a judgment creditor who had proceeded to execution and found no assets at the place of business of the company was at least entitled to put the opposition upon their oath as to why they should oppose his otherwise just demands. A winding-up order should accordingly be made. The case is the subject of a Professional Note in this issue.



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**Miscellaneous—****Right of Mortgagee to Possession**

In the course of his judgment in *Braithwaite v. Winwood* [1960] 1 W.L.R. 1257, Cross, J., reviewed the right of a mortgagee to obtain possession of the mortgaged property. He said that until 1936 a legal mortgagee under the ordinary form of mortgage could at once take possession if he wished to do so, and could sign judgment in default if the defendant mortgagor failed to enter an appearance. Since 1936, when such cases were transferred to the Chancery Division, the plaintiff has had to prove his case before he can get an order for possession, even though the defendant does not appear; further, at any rate in

cases where the mortgage is repayable by instalments, the Court may adjourn the matter for a reasonable period to give the mortgagor an opportunity of making some offer acceptable to the mortgagee and, if necessary, of trying to find means of discharging the loan altogether. In *Four-Maids Ltd. v. Dudley Marshall (Properties) Ltd.* [1957] Ch. 317, Harman, J., expressed the view that the Court had no power to adjourn if the mortgage was not repayable by instalments. Cross, J., said that he could not see why the power of adjournment should be exercisable only in the case of mortgages repayable by instalments, but, assuming that he had a discretion in the case before him, he would on the facts make an order for possession.

**Rating**

Laundry held not used or occupied as retail shop.

*Almond v. Heathfield Laundry (Birmingham) Ltd.* (1 W.L.R. 1339.)

**Restrictive Practices**

Restrictions held contrary to public interest.

*In re Wholesale Confectioners Alliance Agreement.* (1 W.L.R. 1417.) See page 6.

Restrictions held contrary to public interest and signatories to agreement ordered to pay 3,000 guineas as contribution to Registrar's costs.

*In re Motor Vehicle Distribution Scheme.* (T.N. December 22.) See page 6.

**Sale of Goods**

Reliance on seller's judgment by prospective shire engineer held to fall within Section 14 (1) of Sale of Goods Act, 1893—implied term as to fitness for purpose.

*Ashford Shire Council v. Dependable Motors Pty. Ltd.* (3 W.L.R. 999.)

**Will Construction**

*Prima facie*, where there was a gift of exempt chattels "free of duty" the freedom from duty included the duty contingently payable in the event of a sale of the chattels by the legatee, and it would be wrong to read an administrative direction in the will as cutting down this *prima facie* meaning.

*In re Bedford deceased.* (1 W.L.R. 1331.)

Gift of moiety of residue remaining after "my wife has received her *ius relictæ*." Wife not entitled to *ius relictæ*. Whether implied gift of residue to wife.

*In re Angus' Will Trusts.* (1 W.L.R. 1296.)

Gift to testator's surviving children if any child should die without leaving issue. Interpretation of "survive."

*In re James' Will Trusts.* (3 W.L.R. 1031.) "Moneys I have in the bank" given its *prima facie* meaning. It meant his credit balance plus uncashed travellers' cheques bought from that account but did not include savings certificates, share certificates, etc.

*In re Trundle decd.* (1 W.L.R. 1388.)

See page 4.

## An Accountant's Guide to Recent Law

**ACTS OF PARLIAMENT**

Building Societies Act, 1960. Amending the law relating to building societies.

**STATUTORY INSTRUMENTS**

No. 2068. Perpetual Rents Redemption (Prescribed Securities) Instrument. Adding four stocks to the list of those prescribed under Section 191 (2), Law of Property Act, 1925.

No. 2091. Building Societies (Authorised Investments) Order. Prescribing manner in which building societies may from January 1, 1961, invest such of their funds as are not immediately required for their purposes.

No. 2121. Exchange of Securities (No. 2) Rules. Prescribing procedure as to acceptance of offer to exchange 3 per cent. Defence Bonds for 5 per cent. Bonds.

No. 2137. Civil Aviation (Licensing) Regulations. Providing for manner of applying for grant, etc., of licence.

No. 2212. Foreign Compensation (Egypt) (Interim Distribution) (Amendment) Order. Providing *inter alia* for increased interim payments where loss exceeds £10,000.

No. 2213. Foreign Compensation (Hungary) (Amendment) (No. 2) Order. Amending Order of 1958 as regards payments by H.M. Government under its guarantee.

**DECISIONS OF THE COURTS****Company**

Under Section 346 of Act of 1948 the court had a discretion to decide whether just and equitable to order that the company should be wound up; and, although the wish of the majority of creditors was a relevant consideration, opposition to a winding up by the majority was not conclusive.

*In re Vuma Ltd.* (1 W.L.R. 1283.) See a Professional Note in this issue.

Power of appellate court on appeal from liquidator who had rejected proof of debt of foreign applicant.

*In re Trepca Mines Ltd.* (1 W.L.R. 1273.) See page 44.

As company had ceased to exist before action was begun it was not a necessary party to action for grant of further lease.

*Weg Motors Ltd. v. Hales.* (3 W.L.R. 964.) Fundamental rule of company law forbids majority of shareholders, unless articles so provide, to appropriate a minority.

*In re Bugle Press Ltd.* (3 W.L.R. 956, 963.) See page 44.

**Conflict**

Foreign judgment, being judgment in mixed action involving mining rights, held not simply an action *in personam*.

*In re Trepca Mines Ltd. (supra).*

**Hotchpot**

Advance by deceased to son to be brought into hotchpot by son's children.

*Zalike Vell v. Sevim Ismail.* (1 W.L.R. 1254.)

**Insurance**

Shopkeeper's claim under fire insurance policy in respect of fire caused by fireworks failed owing to non-disclosure of material fact.

*Hales v. Reliance Fire and Accident Insurance Corporation Ltd.* (T.N. November 30.)

**Mortgage**

Whether mortgagee estopped from exercising power of sale.

*Braithwaite v. Winwood.* (1 W.L.R. 1257.) See above.

**Negligence**

Merchant bankers not liable for two careless and inaccurate bankers' references given by them to plaintiff who acted on them and suffered loss.

*Hedley Byrne & Co. Ltd. v. Heller & Partners Ltd.* (T.N. December 21.)

**ARTICLES**

*Solicitors' Journal*  
Vol. 104, page

The Payment of Wages Act, 1960 .. 963

Company Unlimited .. 965

Contract and the Doctrine of Frustration .. 966

The Hypothetical World of Rating .. 969

The Planning Control of Mineral Workings .. 972

A Desirable Residence? .. 990

Hire Purchase Agreements .. 996

Charities Rating Cases in 1960 .. 1,005

The Charities Act and the Charitable Trustee .. 1,008

Community of Property on Marriage .. 1,045

*Law Times*

Vol. 230, page

National Insurance—"Gainfully Occupied" .. 318

The Breaking of Settlements .. 319

Recent Trends in the Restrictive Practices Court .. 334

Trustee Investments Bill .. 336

Social and Domestic Agreements .. 347

Acknowledgments for the Production of Grants .. 349

**ABBREVIATIONS USED**

All E.R.—The All England Reports.

T.N.—The Times Newspaper.

W.L.R.—The Weekly Law Reports.

Note: Taxation cases and articles excluded.

## Publications

**Exchange and Trade Control.** By H. E. Evitt. Fourth edition. Pp. viii+182. (Pitman: 25s. net.)

IT IS NEARLY sixteen years since the first edition of this study of exchange control appeared, and in that time, and especially in the past two years, a great deal of the unwelcome and unwieldy apparatus it then discussed has been dismantled. But the book still does what it first set out to do: describe the position as it is today and the principles that underlie the practice; while some parts of it, as the author points out in the preface to this new edition, now have historical interest as well. The book has been used in the past by successive generations of students; while any vestiges of exchange control remain, which seems likely to be for long enough, we may hope that Mr. Evitt will continue to keep his comprehensive and readable little study up to date.

P.E.S.

**Accounting for Local and Public Authorities.** By Roy Sidebotham, B.A.(COM.), and C. S. Page, B.COM. Pp. 339. (Gee and Co. (Publishers) Ltd.: 40s. net.)

THIS BOOK IS of special interest to students reading accounting at universities and technical colleges, or for the examinations of the Institute of Municipal Treasurers and Accountants. The general reader, seeking an understanding of the role of accounting in the public control of local government and the nationalised industries, will find that the authors have dealt with the subject as lucidly and intelligently as possible within the limited space available.

The four parts deal separately with (a) accounting principles common to all types of public authority, (b) local authorities, (c) public boards (hospitals, gas and electricity), and (d) public authorities in Scotland. There are numerous illustrations of the various accounts and funds of local authorities, including the special funds relating to superannuation, renewals and repairs, capital funds and local insurance funds. The recommendations of the Institute of Municipal Treasurers and Accountants are explained in appropriate cases.

The revenue accounts and balance sheets of the hospital, electricity and gas boards are fully exemplified, and illustrations are given of the revenue and net revenue accounts of the Central Electricity Generating Board. There is also an explanation of the consolidation of

the accounts of the electricity industry as a whole, with illustrations of a consolidated revenue and net revenue account, and a balance sheet. The consolidated balance sheet brings together the external liability of the Electricity Council for issues of British Electricity Stock and other capital commitments, and the assets employed by the generating and area boards in the production and distribution of electricity.

In dealing with the special principles affecting local authorities and public boards in Scotland, the authors point out that the differences are minor but real, reflecting a separate legal system and statutory code. The three chapters in the section on Scotland cover the main modifications necessary to the earlier discussion and examples.

W.S.E.

**Double Taxation.** By C. E. Garland, Barrister-at-Law, and Percy F. Hughes. Pp. 213. (Taxation Publishing Co. Ltd.: £1 10s. net.)

AS THE BARRIERS of time and space are lowered by each improvement in world travel, so there is a corresponding increase in the value to the accountant of a knowledge of double taxation. The authors in their preface suggest this is a field only to be cultivated by the specialist, but the general practitioner ought to be able to find his way about it with the aid of this guide—which covers income taxation only and not relief for double estate duty.

The text is profusely illustrated with examples, which are probably the best features of the book, although they are occasionally divorced from the text. The special Inland Revenue working papers for claims on dividend income are not mentioned. As space has obviously been a limiting factor, it is a little surprising to find a chapter devoted to Overseas Trade Corporations, to which double taxation in its accepted sense is not necessarily applicable. Similarly, double taxation is not a pre-requisite of relief under Sections 120, 190 and 195, which are covered in the chapter dealing with minor forms of relief. The chapter dealing with Section 201 relief is valuable for explanation not of the relief itself but of the manner in which it is taken into account in claims for double taxation relief on dividend income.

The value of the index, covering both subject matter and a limited number of cases, would improve with familiarity. For example, reference to the section dealing with industrial or commercial profits is to be found only under "in-

dustrial" or alternatively under "permanent establishment"; this limited treatment pre-supposes a knowledge of the standard phrasing used in the agreements or of the subject itself. Twenty-seven pages, with a separate index, are devoted to the United Kingdom legislation, but the treaties themselves have not been reproduced, nor even a specimen agreement. Appendix I provides an outline of the agreements in chronological order; Appendix II, which follows Appendix III, provides an index to their contents. Appendix III summarises briefly the treatment of foreign taxes in U.K. computations, both before and after the introduction of treaty or unilateral relief. The unratified agreement with Italy is not mentioned, although it was signed as long ago as 1956.

J.D.W.

## Notices

The Accountants' Christian Fellowship will hold a meeting for Bible reading and prayer on February 6 at 1 p.m. in the vestry at St. Mary Woolnoth Church, London, E.C.3; and on February 21 at 6 p.m., in the Oak Hall of the Institute, Moorgate Place, E.C.2, there will be shown a film, "Windows of the Soul," followed by the annual general meeting of the Fellowship. All who are interested will be welcome.

A lecture on **International Trade and Economic Growth** will be delivered by Professor A. K. Cairncross, C.M.G., M.A., PH.D., Professor of Applied Economics in the University of Glasgow, at 5 p.m. on February 13, and one on **Safety and Competition** by Professor C. F. Carter, M.A., Stanley Jevons Professor of Political Economy in the University of Manchester, at 5 p.m. on February 23. Both are special university lectures, to be given at the London School of Economics and Political Science, Houghton Street, Aldwych, London, W.C.2. Admission is free and no tickets are required.

The Selection Committee of the Trevelyan Trust has announced the third annual award of **Trevelyan Scholarships**, fourteen to Cambridge and ten to Oxford. These scholarships are of the value of £500 per annum and are tenable at the Universities of Oxford and Cambridge. They were inaugurated three years ago from funds provided by a number of industrial companies, and Dr. G. M. Trevelyan agreed that the awards should bear his name. Applicants must have undertaken some exacting task or project; in addition to a written report on this, the selection committee requires a report on the applicant from his headmaster. (See ACCOUNTANCY for January, 1958, page 38.)





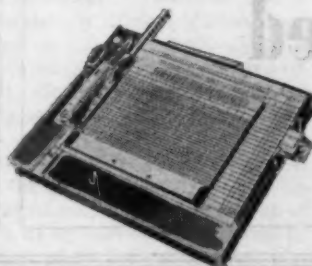
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## Butterworths Income Tax Digest

Originally published as part of the English and Empire Digest for the legal profession, and revised for re-issue in 1959 by PHILIP F. SKOTTOWE, LL.B., Barrister-at-Law, this work is now reprinted and offered as a separate publication for the use of accountants and others.

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## Letters to the Editor

### Remuneration of Practising Members

Sir,—As a partner in a small firm of provincial chartered accountants, I feel I must take issue with the Council of the Institute in the matter of the remuneration of practising members, following upon the publication in the November issue of ACCOUNTANCY of the revised paragraphs 1 to 8 of Section P.3 of the *Members' Handbook*.

At the recent annual dinner of the Manchester Society of Chartered Accountants, the President of the Institute mentioned this matter in his speech and exhorted all practising members in the area to increase their fees without delay. This appears to be typical of the attitude of the members of the Council, and indeed of the attitude of most of the members of what may be called the "cake and caviare" end of the profession. They appear not to be aware of the conditions which obtain in the "bread and butter" section, and they urge us to do something which is impossible in present circumstances.

Whilst the 1948 Companies Act virtually closed the profession so far as the large practitioner dealing with public companies is concerned, the smaller man, whose practice consists largely of exempt private companies, small traders and personal tax work, is still fighting a grim battle for survival against sundry odd characters, sometime with impressive but meaningless strings of letters behind their names, who are not responsible to any professional body of standing and influence. They advertise, solicit and undercut with complete disregard for professional ethics.

The long-term solution to this problem is complete integration and registration of the profession—an aim which has long been spoken about but which still seems as far away as ever. It may be said that this will mean "watering down" the profession, but some give and take will have to be shown by all parties to a scheme of integration. What if a few black sheep do creep into the fold? The Institute possesses the necessary disciplinary machinery to deal with them; and, in any case, the process of dilution will die out completely with the death of the longest-lived person thereby affected. For example, the ranks of the people covered by Section 161 (1) (b) of the 1948 Act as having practised in Great Britain as an accountant before August 6, 1947, must have been diminished very considerably by the passage of over thirteen years. The sooner the decisive step is taken, the sooner the door can be closed and the sooner we can impose uniform standards of entry into the profession. The means may be drastic, but I would submit that they are amply justified by the end.

A step in the right direction has been taken in the Council's memorandum to the Jenkins Committee on company law reform, as published in ACCOUNTANCY in June, 1960.

The deletion of the proviso to Section 161 (1) of the 1948 Act would be of great benefit to the small practitioner by bringing him into line with his more exalted brethren. Following upon this, however, I would venture to suggest that there is another matter which may, with advantage, engage the attention of the Institute, either as a substitute for, or in addition to, integration, and that is the promotion of some form of legislation similar to the Companies Act which would force all partnerships and sole traders to keep adequate records of their activities and to submit properly prepared accounts to the Inland Revenue over an adequate form of certificate. This step alone would react most unfavourably against the dubious gentry now greatly concerned with this type of work and would, I feel sure, have a most beneficial effect on the income of the national Exchequer.

I think it would be right to say that either of these steps, but particularly integration and registration, would have a most beneficial side effect in that it would go a long way towards solving the problem of the missing entrants into the profession. Our legal friends appear to be singularly free from difficulty in attracting articulated clerks—indeed, the payment of a substantial premium appears still to be the rule rather than the exception. If we could offer new entrants the prospect of a closed profession with a scale of fees commensurate with the skill and responsibility involved, the recruiting problem could well disappear, and also the drift of qualified men to industry, commerce and overseas would be greatly reduced.

Yours faithfully,

MANCUNIAN.

(pseudonym of a member of the Institute)

### Post-Cessation Receipts

Sir,—I have only recently had an opportunity of reading the above article in your October issue (pages 583-4), and would like to make the following comments thereon.

1. In considering the *Stainer's Executors* and *Cheyney's Executors* cases, you comment "It was easy to apply the results of such decisions." This is not the case in practice, however. Where an author has formed a company and has entered into a service agreement to write exclusively for the company in future, but has continued to receive royalties on existing publications, the Revenue is, in many cases, claiming either that his profession has not ceased or, alternatively, that a new trade has been set up. Its argument is that the continued receipt of such royalties represents an exploitation of copyrights and that this constitutes the continuance of the existing profession of an author or the setting up of a new trade as an exploiter of copyrights. The cases with which I personally am con-

cerned have not yet been settled, but the Revenue is undoubtedly seeking to avoid the effects of the two decisions mentioned whenever it considers the facts to be distinguishable in any way.

2. I can find nothing in the new legislation to support your views that the new provisions do not affect "businesses which are properly assessed on a cash basis." Surely the whole purpose of these provisions is to catch the post-cessation receipts of such businesses, which previously have escaped tax, and if your view is correct the provisions seem to be meaningless. It is, in fact, difficult to see what businesses (other than barristers) are properly so assessed, except as a matter of convenience. As regards barristers, which you specify, Section 32 (1) extends to all trades, etc., chargeable under Cases I and II, apparently without exception, so that it is difficult to see how this particular profession can escape. It is true that, in the past, they have been assessed on a cash basis owing to their inability to sue for fees, but this inability does not affect their entitlement to the fees but only their right to enforce payment. If payment is duly received after cessation this question does not arise, and the amounts thus received appear to be caught by Section 32 (2).

Yours faithfully,

A. J. COOKE, F.C.A.

London, E.C.2.

[1. The comments in paragraph 1 deal with certain cases on their own facts. It is obvious that authors have succeeded, in view of the remarks of the Attorney-General on the second reading of the Bill—*Hansard*, May 3, 1960, column 1039.

2. The word "due" is important. In the case of barristers, their cash receipts, which cannot be sued for, are therefore not due and still escape assessment. It was stated in Parliament that certain architects were also properly assessable on a cash basis.—Editor, ACCOUNTANCY.]

### Subscriptions to ACCOUNTANCY Schedule E expenses

A member of the Institute of Chartered Accountants in England and Wales who qualifies for relief under Section 16, Finance Act, 1958, is entitled to have his annual subscription to ACCOUNTANCY allowed as a deduction from his emoluments assessable under Schedule E. A subscription form for ACCOUNTANCY will be found on page iii of this issue.

## Readers' Points and Queries

### Interest Payment in First Year of Trading

*Reader's Query.*—Section 169, Income Tax Act, 1952, provides, *inter alia*, that, where any interest of money is payable wholly out of profits or gains brought into charge to tax, the whole of the profits or gains shall be assessed and charged to tax on the person liable to the interest.

In the case of a company which commenced trading on July 1, 1959, and which made a profit of £400 for the year

to June 30, 1960, after paying £250 interest on June 30, 1960, in respect of a loan which was repaid on that date, would the following be the assessments based on the accounts to June 30, 1960?

|                                   | £   |
|-----------------------------------|-----|
| 1959/60 (9 months' proportion) .. | 488 |
| 1960/61 (First year) .. ..        | 650 |
| 1961/62 (Preceding year) .. ..    | 650 |

*Reply.*—Yes.

### Library for Religious Films

*Reader's Query.*—Clients have commenced a library for hiring out religious film-strips, for which a fee is charged. Film projectors and similar equipment are also sold.

The library is regarded not as a busi-

ness but as a charitable service, as there is no wish to make profits, but to utilise any surplus in further development of the library. If the project succeeds, the founders may take something for their services, as a fair amount of work is involved in producing commentaries which are attached to the film-strips.

Would this undertaking be regarded as charitable by the Inland Revenue?

*Reply.*—On the facts, the library is not a charity. The motives of the person running the library are not enough. Moreover, the application of profits to a particular purpose, even a charity, is not enough; tax attaches when a profit is made (see *Religious Tract and Book Society of Scotland v. Forbes*, 1896, 3 T.C. 415).

## The Student's Columns

### DEDUCTION OF TAX FROM DIVIDENDS

IN RESPECT OF any annual interest, patent royalty, ground rent or other annual payment, as explained in the October, 1960, issue of ACCOUNTANCY (page 598), no deduction is allowed in computing profits. So far as the payment is made out of profits brought into charge to tax, the payer is entitled to deduct income tax at the standard rate; he keeps the tax deducted, with the result that he finally bears tax only on his income less the annual charge. Should his income be small, enough of it will be charged at the standard rate to cover the annual charge—that is, he cannot have reliefs against the amount of income needed to meet the annual charge. If the annual charge exceeds his income the whole income will be charged at the standard rate, and so will the excess of annual charge over the income, so as to collect all the tax deducted. Should the excess be in respect of a payment laid out wholly and exclusively for the purposes of a business, it can be carried forward as a loss.

The scheme of deduction of tax from dividends is somewhat different. Like interest, dividends are not allowed as deductions in computing profits. When paying any dividend, the company is entitled to deduct income tax at the standard rate for the year in which the

dividend is declared to be due for payment. There is, however, the restriction that income tax is deductible only to the extent that the dividend is paid out of profits which have already been charged to tax, or would have been charged to tax if profits and other gains were assessable on an "actual" instead of a preceding year basis. This restriction is unlikely to operate very often, as companies can rarely distribute even the whole of the profits and gains as measured for income tax purposes, but it would operate in circumstances like this:

Company commenced business on June 1, 1958, making up accounts to May 31, 1959—adjusted profit £1,200; May 31, 1960—adjusted profit £1,800. Ignoring fractions of months, the assessments would be: 1958/59, 10/12ths of £1,200=£1,000; 1959/60, £1,200; 1960/61, £1,200. The company had no other income.

If a dividend of £4,000 were paid on May 31, 1960, tax could be deducted on £3,000, the actual income to that date. The other £1,000 would have come out of profits not brought into charge to tax.

It will be noted that up to the date of the dividend, the company was liable only on £1,000+£1,200+2/12ths of £1,200=£2,400. Nevertheless, tax is deductible from



£3,000 because that amount of profit is available and would have been taxed on an actual basis.

When a dividend is declared free of tax, it is to be regarded as a gross sum of the amount which, less tax, would give the amount declared to the extent that tax could have been deducted if the gross sum had been declared. Thus, if the income of the company were as in the above illustration and a dividend of £2,450 free of tax were declared, it could be treated as a gross sum of £3,000 only (net £1,837 10s.), the balance paid, £2,450 less £1,837 10s.=£612 10s., not coming out of income at all.

A Preference dividend paid without deduction of tax is not to be regarded as a Preference dividend, and will be grossed up.

Students will usually arrive at the correct gross dividend by grossing up the net amount paid by reference to the standard rate in force at the date on the dividend warrant, except in the case of Preference dividends paid soon after April 5 in a year when the standard rate changes and the tax deducted is at the rate in force in the year before the change. In that case, the gross figure is that arrived at by reference to the rate actually deducted, the difference being adjusted on the next payment.

Should a dividend be stated to be a capital distribution paid out of a capital profit, then it is not paid out of profits or gains brought into charge to tax, and no tax is deductible, nor is there any tax liability on the recipient unless the company is not resident in the United King-

dom; in the latter case the dividend is assessable under Case V of Schedule D.

Every dividend voucher must show the gross equivalent, tax deducted and the net amount paid, but some of them take a little working out. For example, dividend vouchers for shares held in overseas companies paid through a paying agent may read like these:

|  |       | £      | s.      | d.     |
|--|-------|--------|---------|--------|
| Overseas Packers Ltd. (1959/60)        |       |        |         |        |
| 4 shares at \$50                       | .. .. | \$2.00 | at 2.67 | 0 14 4 |
| Less: 15% Canadian Tax                 | .. .. | \$0.30 |         | 2 2    |
|  |       | \$1.70 |         | 12 2   |
| <hr/>                                  |       |        |         |        |
| Less: Charges                          | .. .. |        | 3d.     |        |
| U.K. tax at 4/9 in £ on gross dividend | .. .. |        | 3s. 5d. | 3 8    |
|  |       |        |         | 8 6    |

The real net here is 8s. 9d., as the charges are not allowable. The gross is as declared, 14s. 4d. U.K. tax is deducted at 4s. 9d. because Canadian tax at the rate of 3s. was deducted. (Approximations in calculations make this a few pence less than the true gross of a net sum of 8s. 9d.)

|   |       | £           | s.        | d. |
|---|-------|-------------|-----------|----|
| Gold Mining Company incorporated in South Africa:                                     |       |             |           |    |
| Shareholding 500. Amount of warrant   |       | £3 16s. 6d. |           |    |
|   |       | d.          |           |    |
| Amount of dividend in British currency  |       | 3.000       | per share |    |
| Less: South African non-residents tax at 1/6 in the £ ..                              |       | .225        |           |    |
|   |       | 2.775       |           |    |
| Less: U.K. income tax at 6/3 in the £ on the gross amount of the dividend (3d.) .. .. |       | 0.9375      |           |    |
| Net amount of dividend  | .. .. | 1.8375      |           |    |

£3 16s. 6d. is the net amount of £6 5s. 0d. less income tax at 7s. 9d.

In the above cases, the gross amount is the amount as declared.

In the following case, the overseas company has suffered tax sufficient to enable it to pass on provisional double tax relief at half the standard rate.

Rhodesia Cement Ltd. incorporated in Southern Rhodesia:

|   |  | £      | s.        | d. |
|---|--|--------|-----------|----|
| Dividend on 716 shares at 5/- (net £6 15s. 8d.) .. ..                     |  |        |           |    |
|   |  | 2.9925 | per share |    |
| Less: U.K. income tax at 3/10½ in the £ on gross amount of 3.7116d. .. .. |  | .7191  | per share |    |
|   |  | 2.2734 | per share |    |

The gross is  $716 \times 3.7116d.$  or the gross of a net sum of £6 15s. 8d. with tax at 7s. 9d.

The calculation of the tax relief will appear in next month's article.

(To be concluded)

## Accountancy

The air mail edition of ACCOUNTANCY is available either for subscription on a permanent basis or for odd periods (for example, to cover a temporary stay abroad). It is printed on special thin paper, and the year is £4 4s. to any overseas subscriber receives part of the world. The each issue only a few days after publication on periods is proportional. the twentieth of the The addition of £2 14s. to the month in London, normal charge of £1 10s. covers only the cost of air mail postage, that of the special paper being borne by ACCOUNTANCY.

by Air

# The Institute of Chartered Accountants in England and Wales

## Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, January 4, 1961, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. S. J. Pears, President, in the chair; Mr. P. F. Granger, Vice-President; Mr. E. Baldry, O.B.E., Mr. W. L. Barrows, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E., Mr. P. F. Carpenter, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton, Mr. W. G. Densem, Mr. S. Dixon, Mr. W. W. Fea, Sir Harold Gillett, Bt., M.C., Mr. J. Godfrey, Mr. G. G. G. Goult, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Mr. J. A. Jackson, Mr. W. H. Lawson, C.B.E., Mr. H. L. Layton, Mr. R. B. Leech, M.B.E., Mr. E. N. Macdonald, D.F.C., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. R. P. Matthews, Mr. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. C. U. Peat, M.C., Mr. F. E. Price, Mr. P. V. Roberts, Mr. L. W. Robson, Sir Thomas Robson, M.B.E., Mr. K. G. Shuttleworth, Mr. D. Steele, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. A. H. Walton, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C., Mr. E. K. Wright, Sir Richard Yeabsley, C.B.E.

**The late Charles W. Boyce, C.B.E., F.C.A.** The Council received with very great regret notice of the death of Mr. Charles William Boyce, C.B.E., F.C.A., Bradford, a member of the Council from 1935 until 1957 and President for the year 1951/52.

### Sir Harold Howitt

The Council received with very great regret the resignation of Sir Harold Gibson Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A., London, from membership of the Council. Sir Harold Howitt had been a member of the Council since 1931 and was President for the year 1945/46. During his long membership of the Council he rendered invaluable service as a member of many committees and sub-committees, often as chairman.

In paying a tribute to Sir Harold Howitt on his resignation from the Council, Sir Thomas Robson said:

"This is a sad moment for all of us, for none of us has sat in this Council without the presence, the wisdom and the forward-

looking leadership which Sir Harold Howitt has always given us. His capacity for friendship is simply infinite, and he has exercised that capacity to the full for each and every member of the Council. He has won a place in our individual affections and, indeed, in our corporate feelings which cannot be filled by anybody else.

The records of Sir Harold's services to the Institute are in the minutes of the innumerable committees on which he has served, often in the capacity of chairman; for, as we here know so well, whenever a new committee has had to be appointed to consider a particularly thorny problem which requires special qualities of imagination, judgment and breadth of vision, Sir Harold's name has been a natural choice for its membership. The record is also to be found in the numerous reports of occasions on which he has represented the Institute or the whole profession in putting our views before others, and in works of reference such as *Who's Who*, which gives a long list of his distinguished public services which in peace and war have brought lustre to the Institute and elevated its standing in the eyes of governments and businessmen and in its relations with other professional bodies in this country and overseas.

I cannot begin to appraise his true worth to us, but I do know that we all love him and are grateful for his encouragement. I know what this has meant to me both inside and outside the Council; and that this must equally be true of all the others who sit or have sat in this place during the twenty-nine years Sir Harold has been a member of the Council. I am sad indeed that he has made this decision which we have before us today, but I know his departure from the Council will in no way diminish his interest in the Institute's welfare and his friendship to us all. We must accept his request with our own great regret but with a fervent hope that he may long be spared to adorn and assist the profession for which he has done so much. (*Hear, hear.*)

I now formally move that Sir Harold Howitt's resignation of membership of the Council be accepted and that appropriate record be made of our appreciation of his great services over many years. In expressing our thanks to him I should like to associate with him Lady Howitt, who has shared his interest in the Institute and its work and has helped him to be what he is, a great friend to

us all and the most distinguished accountant of our generation." (*Acclamation.*)

In response to the tribute by Sir Thomas Robson, Sir Harold Howitt said:

"Mr. President, gentlemen, I am completely taken aback by what Sir Thomas has said. At the end of a long and heavy agenda where we have discussed very tricky and detailed matters, I am not going to take time in saying much in reply. In fact, I have prepared nothing in the way of a formal reply. If, therefore, I am quite short I hope no one will take that as a measure of my feelings on this matter and a measure of my gratitude for what has been said on your behalf and the way you have accepted it.

I gave my reasons at the last Council meeting as to why I was quite sure that the time had arrived when I ought to retire. I will not, therefore, repeat them now. I am, however, quite sure that I am right, sad as I am that I have had to reach that conclusion. I should be very much less than human if I did not admit that what Sir Thomas has said and the way you have received it has touched me very much indeed and I do appreciate it.

The work on this Council has been a very major occupation to me over the last thirty years. I think, probably, it is one's largest single commitment, and I am sure that the same applies to many other members on the Council today, and I doubt sometimes whether the members of the Institute in general do quite appreciate the time which is taken by Council work when one really gets into the swing of things. The work today, of course, is very much more strenuous—thinking it over in retrospect—than it was thirty years ago. When I joined the Council, Lancelot Hill was in your chair, Mr. President, and Mr. A. O. Miles was sitting in my seat—'Algy' as he was called by his contemporaries, but certainly not by me. (*Laughter.*) He was followed by Lord Plender, and I am sure that those two were more awe-inspiring people—terrifying in some ways—than more recent people have been. I am sure the same will apply when Sir Thomas takes my place. He has a heart of gold and friendship which very few can emulate.

In those days work on the Council was very different. It has been said before that when you joined the Council in those days you did not speak for a very long time. I am glad those days have passed in that respect. The work on the Council has been extremely happy as far as I am concerned; it has also kept us extremely busy.

The chief thing, I think, apart from the work, is the host of friends that I have been privileged to make whilst on the Council, not only among members of the Council



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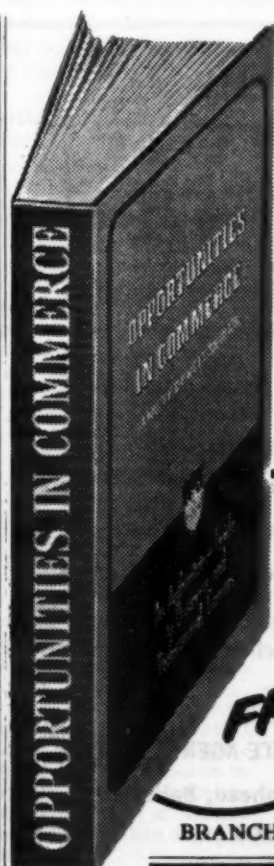
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whose friendship I have enjoyed immensely, but also, among vast numbers of contacts both at home and overseas, membership of this Council gives one the privilege of enjoying their friendship. I do not want to dwell on the past any more. I would far rather think of the future and I hope it is not impertinent to say that I am quite sure that the present team on the Council compares most favourably with any in the past. I am absolutely certain, in leaving the Council, that the future of the Institute is, if I may presume to say so, in very safe keeping in the hands of the present members of the Council. There are enormous new problems coming along. There seems no limit to them. I will not detail them all, but you have education and training, technical problems and that kind of thing.

I will watch all the deliberations, decisions and work of this Council, as an "Old Boy" from the touchlines, with pride in all that you are doing, and perhaps occasionally I may be allowed to have lunch with you, and in any event, if I can ever help from the outside it will be always a joy to try." (Acclamation.)

#### Public Relations Committee

The Secretary reported the appointment of Sir Harold Gillett, M.C., F.C.A., as Chairman of the Public Relations Committee.

#### Refusal to Register Articles

A person who admitted that he had altered a general certificate of education with the object of obtaining exemption from the Preliminary examination has been informed that no articles to which he is a party will be registered.

#### Articles and Examinations

The following applications under various bye-laws relating to articles and examinations have been granted or refused during the six months ended December 31, 1960:

|  | Granted | Refused |
|--|---------|---------|
| <i>Bye-law 51:</i> Waiver of prescribed provisions in articles   | 1       | —       |
| <i>Bye-law 57:</i> Permission to follow another business or occupation while under articles to the limited extent specified in the application     | 6       | —       |
| <i>Bye-law 58 (c):</i> Permission to spend up to six months in an industrial, commercial or other suitable organisation during articulated service | 12      | 1       |
| <i>Bye-law 79:</i> Exemption from the Preliminary examination by virtue of age and experience in a member's office                                 | 18      | —       |
| <i>Bye-law 61:</i> Reduction in service under articles   | 23      | 2       |
| <i>Bye-law 85 (b):</i> Exemption from the Intermediate examination   | 9       | 7       |
| <i>Bye-law 81:</i> Permission to sit the Intermediate examination earlier than normally eligible   | 6       | 2       |
| <i>Bye-law 86 (a):</i> Permission to sit the Final examination, after completion of articulated service, earlier than normally eligible            | 5       | 3       |

#### Auditors of Building Societies

In order to remove doubts the Council has obtained confirmation from the Chief Registrar of Friendly Societies that he will not take objection to the appointment of a firm of accountants (all the partners of which are eligible under the Building Societies Act, 1960) as auditors of a building society, as distinct from the appointment of individuals.

#### The P. D. Leake Trust

The Council approved for publication the accounts of the P. D. Leake Trust for the year to October 31, 1960, a report on the administration of the trust and a report of the P. D. Leake Committee. A booklet containing these reports and accounts may be obtained without charge on application to the offices of the Institute by any interested person. (It is expected that copies will be available by the end of January, 1961.)

#### Jersey Income Tax: Allowance of Institute Subscriptions

The Council received a report that the States Comptroller, Jersey, had approved the Institute for the purposes of Rule 2 of Case II of Schedule D of the Income Tax (Jersey) Law, 1937, as amended, so that the full amount of the annual subscription paid by a member who qualifies for relief under the Rule may, on application to the Comptroller, be allowed as a deduction from his emoluments assessable to Jersey income tax. All members whose registered addresses are in Jersey have been informed.

#### Registration of Articles

The Secretary reported the registration of 276 articles of clerkship during the last month, the total number since January 1, 1960, being 2,992.

#### Admissions to Membership

The following were admitted to membership of the Institute:

BILBY, COLIN THOMAS, A.C.A., 14A Muswell Avenue, London, N.10.  
 CLAFF, MICHAEL NORMAN, A.C.A., Southfields, London, N.W.4.  
 DIGGLE, OLIVER JOHN, A.C.A., Orchard Grange, Old Warden, Biggleswade, Beds.  
 HURLEY, EDMUND ADRIAN, A.C.A., 8 Moats Crescent, Thame, Oxon.  
 PAYNE, KEITH, A.C.A., 72 Bulwer Road, Clarendon Park, Leicester.  
 POWER, MICHAEL JOHN, A.C.A., 43 Oxford Street, Watford, Herts.  
 §SILCOCK, GRAHAM JAMES GREER, A.S.A.A., with Alexander, MacLennan, Trundell & Co., P.O. Box 1968, Nairobi.  
 SIMMS, RICHARD HENRY, A.C.A., c/o Dunlop Rim & Wheel Co. Ltd., Foleshill, Coventry.  
 THOMAS, COLIN PATRICK, A.C.A., 30 Mysydd Road, Landore, Swansea.  
 §WALTERS, PETER JOHN, A.S.A.A., "Kings Lynn," Wendy Avenue, Craighall Park, Roadburg, Transvaal, S. Africa.

#### Fellowship

The Council acceded to applications from twenty associates to become fellows under clause 6 of the supplemental Royal Charter. Eight hundred and ninety-six associates became fellows on January 1, 1961, in

accordance with clause 6 of the supplemental Royal Charter.

#### F.S.A.A.

The Council acceded to one application from an incorporated accountant member A.S.A.A. to use the letters F.S.A.A. under clause 4 (b) of the Scheme of Integration.

Sixty-three incorporated accountant members A.S.A.A. became F.S.A.A. on January 1, 1961, in accordance with clause 7 of the supplemental Royal Charter.

#### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

BARLOW, RONALD CLAUDE; A.C.A., a1960; Alan York, Barlow & Co., 5A Southbourne Grove, West Southbourne, Bournemouth.  
 BARNES, DAVID JOHN; A.C.A., a1958; H. L. Barnes & Son, Martin's Bank Chambers, Stratford-on-Avon.  
 BUCKLEY, DEREK; A.C.A., a1960; James Todd & Adams, Barclays Bank Buildings, 12A Piccadilly, Manchester, 2.  
 BYRNE, AUBREY HAROLD; A.C.A., a1952; 33 Beverley Gardens, Wembley Park, Middx.  
 CLINKARD, CHARLES COLIN; B.A., A.C.A., a1956; "Strathearne," Albion Terrace, Saltburn-by-Sea.  
 COOKE, VICTOR WALLIS; A.C.A., aS1955; †Chalmers, Wade & Co., 2 Royal Terrace, Weymouth.  
 COX, PETER ROBERT; A.C.A., a1959; 216 Dysart Road, Grantham, Lincs.  
 DANIELS, MICHAEL; A.C.A., a1960; Michael Daniels & Co., 13 Wimpole Street, London, W.1, and at Edgware.  
 DAVIES, HUGH ANTHONY; A.C.A., a1960; \*Morgan Davies, Phelps & Co., 29 Great George Street, Bristol, 1.  
 DAVIS, DAVID THOMAS AUDIORE; A.C.A., a1960; 10 Wakemans, Upper Basildon, Reading, Berks.  
 FEUGILL, DUDLEY MARSHALL; F.C.A., aS1935; 1 Oakwood Avenue, Birkenshaw, Bradford.  
 FOWLES, WILLIAM JAMES; A.C.A., aS1954; Hawkins & Wale, 10 Longport Street, Canterbury.  
 KENNEDY, JAMES ENGLISH; A.C.A., a1958; Richd. Ormond, Son & Dunn, 24 Windsor Terrace, Jesmond, Newcastle upon Tyne, 2.  
 LEWIS, PETER HOWARD; A.C.A., a1960; Oakes & Lewis, Prudential Buildings, 36 Dale Street, Liverpool, 2.  
 MILLER, MICHAEL EVENSEN; A.C.A., a1954; Gilbert Shepherd, Owen & Co., 22 St. Andrew's Crescent, Cardiff.  
 OAKES, THOMAS; F.C.A., a1950; Oakes & Lewis, Prudential Buildings, 36 Dale Street, Liverpool, 2.  
 PAIBA, MICHAEL DAVID; A.C.A., a1957; Michael D. Paiba & Co., 89 Brent Way, Finchley, London, N.3.  
 POWELL, NIGEL FERRIDAY; A.C.A., a1958; Wilson, Powell & Co., 48/50 Mosley Street, Manchester, 2.  
 ROOM, EDWARD ELLISON; F.C.A., aS1939; Mortimer & Room, Suintex House, 6 Lansdowne Place, Bradford 5, and at Leeds.  
 RUFUS, ERNEST EDWARD WILLIAM; F.C.A., aS1944; 15 The Risings, Walthamstow, London, E.17.  
 SELWYN, JEFFREY MICHAEL; A.C.A., a1960; J. M. Selwyn & Co., 25 Vivian Way, London, W.2.  
 STUTTARD, DEREK; A.C.A., a1951; Thornton & Co., 54 Castle Street, Liverpool, 2, and at Wallasey.

SUSSMAN, HAROLD SIDNEY; A.C.A., a1960; Warner, Bearman & Co., 16 Wimpole Street, Cavendish Square, London, W.1.

WARDLE, JOHN; A.C.A., a1959; \*A. G. Goring & Co., Mount Chambers, 51A Bath Street, Ilkeston, Derbyshire.

WEINBERG, GORDON GEORGE; A.C.A., a1960; 16 Martley Drive, Ilford, Essex.

#### Admission to Membership under the Scheme of Integration

The Council acceded to applications from two members of The Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

#### Re-admission to Membership

It was reported to the Council that the following re-admission, made at the Council meeting on December 7, 1960, subject to payment of the amount required, had become effective:

PEARCE, LEONARD CHARLES, A.C.A., 21 Woodville Road, Golders Green, London, N.W.11.

#### Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

TAYLOR, DENNIS WALTER MULLIN, to TAYLOR, DENNIS WALTER.

#### Resignation

The Council accepted the resignation from membership of the Institute of:

HOGWOOD, VERNON WILLIAM, B.COM., F.S.A.A., c/o Metropolitan Water Board, New River Head, Rosebery Avenue, London, E.C.1.

#### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

ALLEN, KENNETH CHARLES, A.C.A., Hove.

BARHAM, HAROLD VIVIAN, F.C.A., London.

BARTON, ALBERT EDWARD, O.B.E., F.C.A., West Kirby.

BRINDLEY, SAMUEL GORDON, F.C.A., Paris.

CHAPLIN, PERCY JOHN, F.C.A., London.

CHRIMES, LAURENCE, M.B.E., T.D., F.C.A., London.

COWIN, THOMAS NELSON, F.C.A., Liverpool.

HARLING, WILLIAM, F.C.A., Blackpool.

HARRIS, PHILIP, F.C.A., London.

HILL, EDWARD KING, F.C.A., Birmingham.

LANGFORD, EDGAR BRUCE, F.C.A., Portsmouth.

PYNE, ANTHONY DESMOND, A.C.A., Reading.

SHEPPARD, ROBERT FREDERICK, V.R.D., F.C.A., London.

TANFIELD, DOYLAH, F.C.A., Dudley.

WARD, ALTON, F.C.A., Bradford.

§ Means "incorporated accountant member"  
a indicates the year of admission to the Institute.

aS indicates the year of admission to the Society of Incorporated Accountants.

Firms not marked † or \* are composed wholly of members of the Institute.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

## Finding and Decision of the Appeal Committee

*Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at a hearing held on December 7, 1960.*

The Appeal Committee heard an appeal against the Finding and Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that William Marshall, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that (a) being the liquidator of a limited company he failed within a reasonable time or at all during the period from March, 1958, to March, 1960, to reply or take any action in response to numerous enquiries and requests made to him by two firms of chartered accountants on behalf of one of the creditors of that company; (b) he failed to reply to three letters written to him by an Under-Secretary of the Institute dated respectively May 11, 1960, June 10, 1960, and June 17, 1960, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against William Marshall, F.C.A., had been proved under both headings and the Committee affirmed the Decision of the Disciplinary Committee that William Marshall, F.C.A., of 46 Bedford Row, London, W.C.1, be excluded from membership of the Institute.

[We are asked to state that the William Marshall referred to above is not the William Marshall, F.C.A., who is with Messrs. Robson, Morrow & Co., of 59 New Cavendish Street, London, W.1—Editor.]

## London Students' Dinner

THE FORTY-SEVENTH ANNUAL dinner of the Chartered Accountant Students' Society of London was held at Grosvenor House, Park Lane, on Monday evening, December 12. Some fifteen hundred members and guests, with Mr. W. E. Parker, C.B.E., F.C.A., President of the Students' Society, presiding, were present, and grace was said by the Bishop of Woolwich, The Rt. Rev. J. A. T. Robinson, M.A., PH.D.

Toasts to "The Queen" and "Queen Elizabeth the Queen Mother, Prince Philip, Duke of Edinburgh, and other members of the Royal Family" were proposed by the Chairman, and "The Students' Society" by Mr. H. D. P. Lee, M.A., Headmaster of Winchester College. Mr. Robert E. J. Fisher, Chairman of the Students' Society Committee, replied to the toast "The Students'

Society." In the course of his speech, Mr. Fisher paid tribute to the tireless work of the staff of the Students' Society, particularly Mr. Carter, Miss Large and Miss Day. He went on to stress the important part that the Society played in the education of articled clerks and their preparation for professional life. He mentioned that the Society had over six thousand members, with branches extending over a wide distance around London, and appealed for members to help to form local branches in places situated at inconvenient distances from the City, so that local students could avail themselves of lectures and social facilities. He pleaded for more encouragement from principals for their articled clerks to attend Students' Society meetings, and, if possible, for financial assistance to enable them to take part in residential courses. Mr. Fisher concluded by reminding his listeners of their indebtedness to the President of the Students' Society, Mr. Parker, and asked those present to stand and drink Mr. Parker's health.

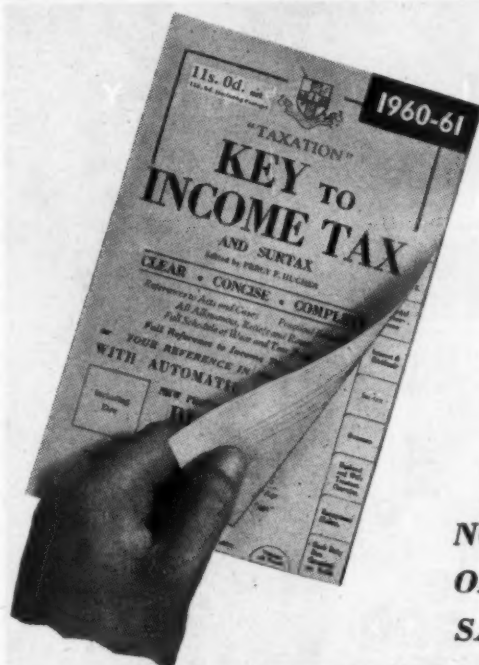
Mr. Parker proposed the toast "The Visitors." During the course of his speech he thanked, on behalf of the Students' Society, Mr. Fisher and his colleagues on the Society's Committee. Mr. Parker regretted that the accommodation had proved insufficient for all those who wished to attend the dinner—some articled clerks and principals who would have liked to be present had been prevented from attending by lack of room. He concluded by advising his listeners to "keep on asking—Why?" "Do not accept as gospel," he said, "the precepts handed down to you by your elders and betters, whether they be your tutors or your principals. Examine the reasoning behind them, dig down to the foundations of the reasoning. Ask yourselves, are those foundations still sound? If so, is the reasoning still sound?"

Replying to "The Visitors," Mr. P. W. Milligan, Deputy Chairman of Lloyd's, referred to the difficulty of finding staff in the City at the present time, due, he thought, to the poor conditions and increased costs of travelling and the high cost of living in and around London. His suggestion that one solution to this problem might be to make some kind of tax allowance, of perhaps £50 or £60 a year, to individuals for travelling, was warmly received.

Lord Evershed, F.C., Master of the Rolls, proposing "The Institute of Chartered Accountants in England and Wales," spoke of the immense indebtedness of the community to the profession of accountancy. The insistence which the Institute had laid on the highest standards of skill and integrity had meant that the profession had earned, deservedly, not only great gratitude and respect but high fame. "It is a fact of modern life," he added, "that no commission or committee worthy of its name could be without a chartered accountant among its members."

Mr. S. John Pears, F.C.A., President of the Institute, replied on behalf of the Institute. He offered his student listeners three pieces





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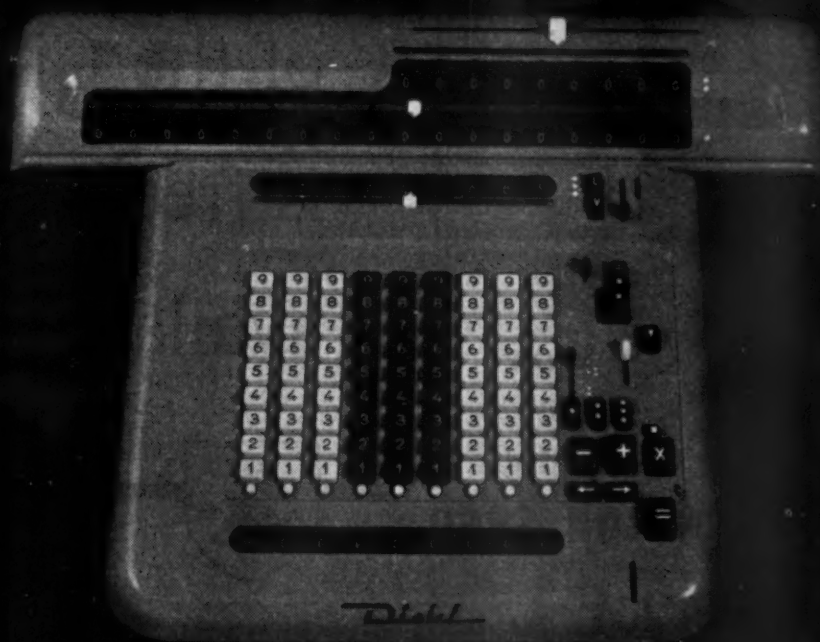
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of advice. First, he warned them not to make the all too common mistake, once qualified, of believing that they alone could do a particular job or fill a particular post. It was quite untrue and would do nothing to advance them. "You don't run a transport system with one donkey," he said, "but with a fleet of vehicles—and the same applies to accountancy practice." Next, he advised them to learn to negotiate, although this was a point with which he knew many accountants did not agree. Lastly, he recommended his hearers not to be impatient. If they wanted to leave the profession on qualifying they should wait two or three years, for they might be late developers who did not themselves realise the fact. Mr. Pears concluded by recommending them not to take themselves too seriously. "Learn to laugh at yourselves," he said, "you will be in good company."

Among the guests were: The Rt. Hon. Lord Evershed, P.C. (Master of the Rolls); Mr. H. D. P. Lee, M.A. (Headmaster of Winchester College); Mr. S. John Pears, F.C.A. (President of the Institute); Sir Harold G. Howitt, G.B.E., D.S.O., M.C., LL.D., D.L., F.C.A. (Past President of the Institute and Past President of the Students' Society); Mr. P. W. Milligan (Deputy Chairman of Lloyd's); The Rt. Rev. J. A. T. Robinson, M.A., Ph.D. (Bishop of Woolwich); Sir Harold Gillett, Bt., M.C., F.C.A. (member of the Council of the Institute and Past President of the Students' Society); Sir Thomas B. Robson, M.B.E., M.A., F.C.A. (Past President of the Institute and Vice-President of the Students' Society); Mrs. F. E. Cayford (Chairman of the London County Council); Sir Gervais Tennyson d'Eyncourt, Bt. (Prime Warden of the Fishmongers' Company); Sir Richard Yeabsley, C.B.E., F.C.A. (member of the Council of the Institute); Mr. Charles U. Peat, M.C., M.A., F.C.A. (Past President of the Institute); Sir Edmund Compton, K.B.E., C.B., M.A. (Comptroller and Auditor-General); Mr. D. T. Hicks (President of the Law Society); Mr. John Thompson, Q.C. (Vice-Chairman of the General Council of the Bar); Mr. Brian Manning, C.B.E., D.L., J.P., F.C.A. (Vice-President of the Students' Society); Mr. Douglas A. Clarke, LL.B., F.C.A. (member of the Council of the Institute and Vice-President of the Students' Society); Sir Theobald Mathew, K.B.E., M.C. (Director of Public Prosecutions); Sir Pridham Baulkwill, C.B.E. (Public Trustee); Mr. Alan S. MacIver, C.B.E., M.C., B.A. (Secretary of the Institute); Mr. E. Kenneth Wright, M.A., F.C.A. (member of the Council of the Institute and Vice-President of the Students' Society); Sir Bruce Wycherley, M.C., F.C.I.S. (managing director of the Abbey National Building Society); Mr. A. D. Marris, C.M.G. (Chairman of the Issuing Houses Association); Mr. A. L. A. West, O.B.E. (President of the Institute of Municipal Treasurers and Accountants); Mr. J. R. Willis, C.B., C.M.G. (Deputy Chairman of the Board of Inland Revenue); Mr. J. H. James, C.B. (Deputy Master and Comptroller of the Royal Mint); Mr. J. E. Harris, B.COM., F.A.C.C.A. (President of the Association of Certified and Corpo-

rate Accountants); Mr. G. R. Appleyard, F.C.A. (Chairman of the London and District Society of Chartered Accountants); Mr. E. Long, F.C.I.S. (President of the Chartered Institute of Secretaries); Mr. J. H. Gunlake, C.B.E. (President of the Institute of Actuaries); Mr. E. L. Richards, M.B.E., M.C., T.D. (member of the Council of the Stock Exchange); Mr. A. H. Carnwath (managing director of Baring Bros. & Co. Ltd.); Mr. F. Booth, C.A. (Chairman of the Association of Scottish Chartered Accountants in London); Mr. W. B. Langford, M.B.E. (Registrar of Joint Stock Companies); Mr. F. Keighley (chief general manager of the National Provincial Bank); Professor W. T. Baxter, B.COM., C.A. (Professor of Accounting in the University of London); Mr. S. W. Alexander (Editor of *The City Press*).

## District Societies

### BEDS., BUCKS. AND HERTS. BRANCH

NEARLY 120 MEMBERS and guests of the Beds., Bucks. and Herts. Branch of the London and District Society of Chartered Accountants attended a luncheon on December 15, the first meeting of the Branch to be held in Bedford. Now that they had a Branch of their own, Mr. J. B. Pinnock, F.C.A., the Chairman, said, members were in a position to entertain guests and meet other accountants, which was both pleasant and beneficial.

Among the guests were the Mayor of Bedford (Alderman A. H. Randall); Mr. W. M. Brown, M.A., Headmaster of Bedford School; Mr. Angus Fraser, B.A., Solicitor to the Inland Revenue; Mr. L. W. Robson, F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales; Mr. G. R. Appleyard, F.C.A., Chairman of the London and District Society, and many local representatives of the professions and commerce.

After the Mayor of Bedford had welcomed the gathering to Bedford, Mr. Fraser gave an illuminating address on the history of income tax and stamp duty. A vote of thanks to the speaker was proposed by Mr. J. L. Dickinson, F.C.A., Vice-Chairman of the Branch.

### BIRMINGHAM

A ONE-DAY CONFERENCE was held at the University of Birmingham on January 4 and attended by 158 members. Mr. E. J. Newman, M.A., F.C.A., was in the chair. Two papers on the Finance Act, 1960, were given by Mr. S. I. Simon, barrister-at-law, and an informal talk on "Humour and the Law" by Mr. E. Ag. Norton, C.B.E., M.A.

### CORNWALL AND PLYMOUTH BRANCH

THE ANNUAL DINNER of the Cornwall and Plymouth Branch of the Bristol and West of England Society of Chartered Accountants

was held at the Duke of Cornwall Hotel, Plymouth, on December 1. Among the guests were the Lord Mayor of Plymouth, Alderman F. J. Stott; Alderman Arthur Goldberg, President, Incorporated Law Society of Plymouth; Mr. C. M. Mead King, M.A., Headmaster of Plymouth College; Mr. J. E. Talbot, F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, and Mr. W. V. Eggleton, F.C.A., President, of the Bristol and West of England Society. Mr. R. G. Bailey, F.C.A., Chairman of the Cornwall and Plymouth Branch, was in the chair.

The toast of the City of Plymouth was proposed by Mr. W. V. Eggleton, who paid tribute to a very beautiful city which had risen, like a phoenix, out of the ashes and desolation of the blitzkrieg of 1941.

In his response, the Lord Mayor said that the cost of the city's tremendous reconstruction programme had run into tens of thousands, but the economic control of its various projects had been conducted not in a haphazard way, but with considerable skill.

Alderman Arthur Goldberg, President of the Incorporated Law Society of Plymouth, proposed the toast of The Institute of Chartered Accountants in England and Wales, with which he associated the name of Mr. J. E. Talbot, a member of the Council. Mr. Goldberg asked for the utmost support in his efforts to have a university established in Plymouth. A professional body such as the Society could do much to raise enthusiasm in the city and neighbourhood. A local university would benefit not only Plymouth but the national interests.

Responding to the toast, Mr. J. E. Talbot said that there was bound to be occasional criticism of the Council from some of the 34,000 members, but it acted in the best interests of the members as a whole, and nothing was implemented without the fullest discussion and agreement.

The toast of the Guests was proposed by Mr. R. G. Bailey.

In reply, Mr. C. M. Mead King said that, although accountants were always welcomed in the schools, they rarely gave any information on how to enter their profession. Accountants, he continued, must look for recruits among boys of eighteen and not younger. It was obvious that the profession must have boys who had reached an advanced level of education; by the same token, the boys would have to be treated as eighteen-year-olds and not as sixteen-year-olds. If those two points could be considered, then he was sure the profession would not be short of recruits in the future.

### EXETER BRANCH

THE EXETER AND District Branch of the Bristol and West of England Society of Chartered Accountants held its annual dinner at the Rougemont Hotel, Exeter, on December 9. Mr. H. F. Shapland, M.B.E., F.C.A., Chairman of the Branch, presided. The Mayor of Exeter (Alderman P. F. Brooks, B.E.M.) replied to the toast of the

City and County of the City of Exeter, proposed by the Rev. E. C. Mortimer, M.A.

The Rt. Hon. Viscount Amory of Tiverton proposed the toast of The Institute of Chartered Accountants in England and Wales, the reply being made by Mr. W. G. Densem, F.C.A., a member of the Council. "Our Guests" was given by the Chairman, and the response by Mr. S. W. Wright, President of the Devon and Exeter Incorporated Law Society.

#### SOUTHEND GROUP

THE THIRTEENTH ANNUAL dinner of the Southend-on-Sea Chartered Accountants' Group was held at the Middleton Hotel on December 14. The principal guests were the Mayor of Southend, Councillor L. W. Johnson, J.P., and the Renter Warden of the Worshipful Company of Poulterers, Mr. J. A. M. Rutherford. The toast of the Southend-on-Sea Chartered Accountants' Group was proposed by Mr. Rutherford, and the Chairman of the Group, Mr. J. K. Melling, F.C.A., replied. Mr. E. H. R. Martin, F.C.A., gave the toast of the Guests, to which Mr. Gordon Pask, M.A., and Wing Commander W. H. Thallon, F.C.C.S., responded.

### Students' Societies

#### HULL

ON DECEMBER 2 the Chartered Accountants' Students' Society of Kingston upon Hull celebrated its sixtieth anniversary with a dinner, at which Mr. N. S. Staveley, A.C.A., the President, took the chair. The birthday toast of the Society was proposed by Mr. W. E. Parker, C.B.E., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, the response being made by Mr. Charles M. Strachan, O.B.E., F.C.A., member of the Council and vice-president of the Society.

#### NOTTINGHAM

THE NOTTINGHAM CHARTERED Accountant Students' Society held its annual dinner at Daybrook House, Nottingham, on December 14. The President, Mr. R. W. Cox, F.C.A., was in the chair, and the guests included Mr. Kenneth Adam, Controller of Programmes, B.B.C. Television; Canon D. R. Feaver, Vicar of St. Mary's; Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A., Past President and member of the Council of The Institute of Chartered Accountants in England and Wales; Mr. P. Jenkin-Jones, M.A., LL.B., Vice-President of the Nottingham Law Students' Society; Mr. P. F. Granger, F.C.A., Vice-President of the Institute, and representatives of the professions and the Inland Revenue.

Mr. Kenneth Adam proposed the toast of The Institute of Chartered Accountants in England and Wales.

Sir Harold Howitt, responding to the toast, said that, like Mr. Adam, he was

born and trained in Nottingham: he was articled to the late Mr. W. R. Hamilton, grandfather of the present honorary secretary of the Students' Society. Referring to those most profitable and amusing years, Sir Harold advised articled clerks not to press continually for what they thought were their rights, but to concentrate on gaining the best possible experience during their articles.

Sir Harold then presented the Howitt Prize to Mr. J. N. W. Smith, A.C.A. (ex-Honorary Secretary of the Derby Branch of the Nottingham Students' Society). As reported in ACCOUNTANCY for January, 1960, page 8, Sir Harold has generously endowed this prize for annual award to a successful Nottingham student. Mr. Smith is the first recipient.

Mr. P. Jenkin-Jones, M.A., LL.B., proposed the toast of the Nottingham Chartered Accountant Students' Society, and Mr. J. E. Hamilton, Honorary Secretary of the Society, responded. The toast of the guests was given by Mr. R. C. Gratton, F.C.A. Canon D. R. Feaver replied.

### Union of Chartered Accountant Students' Societies

THE ANNUAL CONFERENCE of the Union of Chartered Accountant Students' Societies was held at Southport on December 9 and 10, with Mr. G. B. C. Hughes, M.A., A.C.A., in the chair. After opening prayers by the Rev. R. H. Hack, M.A., A.C.A., and a welcome by Mr. Arthur Green, F.C.A., President of the Liverpool Chartered Accountant Students' Association, fifty-one delegates from twenty-five students' societies spent a total of 7½ hours discussing subjects of interest and importance to articled clerks and to students' societies, which had been brought before the Conference by the member societies. In addition, they received the report of the annual meeting between members of the Council of the Institute and the Liaison Committee of the Conference held in March, 1960, during the course of which there had been discussion on grants from local authorities, local technical colleges, overseas students, support for the activities of students' societies, salaries of newly qualified accountants, information available to prospective articled clerks and the Council's pamphlet *The Importance of Students' Societies*.

The Conference devoted considerable time to the discussion of the relationship between principal and articled clerk. Anxiety was apparent about the fact that in a relatively small number of offices not only was the articled clerk regarded as cheap labour rather than as a student under training for admission to an honourable profession, but also that there were offices where the quality of the experience available was inadequate. Resolutions were adopted asking the Coun-

cil to make clearer the personal obligation of principals for the training of their articled clerks and to emphasise the steps for remedying conditions which failed to attain the necessary standard. In this connection the importance of an adequate probationary period at the start of articled service was stressed.

The perennial problem of securing better support for the educational activities of students' societies was discussed. Practical experience showed that the support of principals was a factor of major importance and that the statement that a service paid for was more highly esteemed than one provided free was a complete fallacy. Compulsory attendance was also discussed.

The Conference discussed suggestions for the better attainment of its objects and spent some time considering instances of excessive claims for travelling and accommodation expenses by lecturers visiting some students' societies.

The question of scholarships and grants from local authorities was explored. Information on obtaining grants was exchanged, and the Conference agreed to put to the Council of the Institute the suggestion that scholarships provided in appropriate conditions by the Institute might be a contribution towards the implementation of the Council's "strong opinion that no youth of real ability or character should be prevented by lack of means from entering into articles."

This pronouncement came in for criticism on the ground that there was little real information on the actual conditions under which articles were served in different parts of the country. It was stated that in some areas premiums were still being paid and it was not uncommon for articled clerks to receive no remuneration except a present at Christmas. The Institute was asked to make a sample survey to establish the real facts, and to suggest a framework for articled clerks' salaries so as to combat the attractions of industry. The question of salary in relation to study leave was also reviewed.

Among other matters considered were co-operation between students' societies, senior societies and other local societies, the part which technical colleges could take in the training of articled clerks, lecture timing, the accounting date for students' societies, the dates of examinations, and the amount of information available on the results.

The report of Mr. D. C. Farthing, F.C.A., the Lecturers' Panel secretary, was received and the lively thanks of the Conference were expressed for all that he did to make this useful service a success.

The members elected to the Liaison Committee for the meeting in 1961 with members of the Council of the Institute were Mr. R. F. Cheetham, Mr. R. E. J. Fisher, Mr. R. H. Hill, Mr. A. G. Horton, Mr. M. C. Roberts, Mr. D. K. Rowe-Ham, and the Chairman and Secretary. An enthusiastic vote of thanks was given to Mr. G. B. C. Hughes on the conclusion of his three-year period of office as chairman of the Conference. Mr. S. H. Reilly, A.C.A., was elected



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Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Moorgate 5644.

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(continued on page xxxix, facing page 58)

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to succeed him for the next Conference. The Conference put on record its deep regret at the death of Mr. H. V. Barham, F.C.A., who had audited the accounts of the Union for many years. Other officers appointed for 1960/61 were: Treasurer, Mr. P. H. Dobson, J.P., F.C.A.; Auditor, Mr. P. L. Neild, T.D., F.C.A.; Secretary, Mr. R. J. Carter, B.COM., F.C.A.

On the Friday evening delegates enjoyed a dinner arranged by the Liverpool Chartered Accountants Students' Association, followed by personal discussions of matters of interest to articled clerks and students' societies.

## Chartered Accountants' Benevolent Association

AT A RECENT meeting of the Executive Committee the chair was taken by Sir William Carrington, F.C.A., the President of the Association, and twelve members were present.

The President reported with deep regret the death of Mr. B. J. Davis, F.C.A., on September 18, 1960. Mr. Davis had been a member of the Executive Committee since 1947, and high tribute was paid to the devoted service he had given on the Committee. He was also Chairman of the Investment Sub-Committee, and Mr. R. W. L. Eke, F.C.A., expressed that sub-committee's great appreciation of the guidance and counsel which Mr. Davis had given to it.

### Applications for Assistance

Six new applications for assistance were considered; in one case a grant was made; in three cases donations were given either as an interim measure or to overcome temporary difficulties; in one case consideration was deferred pending further enquiries; in one case no grant was made.

### Applications for Further Assistance

Twenty cases for further assistance were considered. In eleven cases the grant was renewed; in two cases the grant was increased; in six cases the grant was reduced; one case was deferred for further enquiries to be made.

### Matters Reported

The Honorary Secretary reported changes in circumstances in fifteen cases and grants were adjusted or donations made.

The death of a beneficiary who had been assisted since 1939 was reported.

### W. B. Peat Memorial Scholarship Fund

One grant of £30 per annum for three years was made to assist with school fees.

### Christmas Gifts

It was decided to send small cash gifts to beneficiaries who are resident in Homes.

### Donations in memoriam

The Honorary Secretary reported that

donations in lieu of flowers amounting to £99 4s. had been received in memory of the late Mr. B. J. Davis, F.C.A., and that further donations amounting to £64 12s. had been received in memory of the late Mr. H. Stanley King, F.C.A.

## Forthcoming Events

### BIRMINGHAM

January 18.—Joint meeting with Association of H.M. Inspectors of Taxes. Queen's Hotel, at 6 p.m.

February 8.—"Some Present Economic Problems of the United Kingdom," by Mr. W. B. Reddaway, M.A., Director of the Department of Applied Economics, University of Cambridge. Queen's Hotel, at 6 p.m.

### Students' Meetings and Function

January 24.—"What Shall I Do?" Panel speakers: Mr. Stanley Dixon, M.A., F.C.A. (industry), Mr. W. Charlton Edwards, F.C.A. (nationalised industry), Mr. E. J. Newman, M.A., F.C.A. (in practice) and Mr. B. T. Taylor, F.C.A. (commerce). The Library, 36 Cannon Street, at 6 p.m.

January 31.—"Structure of our Legal System," by Mr. Brian Calwell. Imperial Hotel, Temple Street.

February 7.—"Solicitors' Accounts," by Mr. Stanley Kitchen, F.C.A. The Library, 36 Cannon Street, at 6 p.m.

February 16.—Annual winter dance. The Pavilion Suite, The County Ground, Edgbaston.

February 21.—"The Bank of England," by Mr. D. H. Buchanan. The Library, 36 Cannon Street, at 6 p.m.

February 18.—Visit to Alfred Bird & Sons Ltd.

### BLACKPOOL

February 8.—Students' annual dinner and dance, in conjunction with the Students of the Local Law Society. Queens Hydro, South Promenade, at 7.30 p.m.

### BOLTON

February 15.—Discussion meeting, chosen and opened by a member of the firm of P. and J. Kevan. Members' meeting. Reform Club, at 6.15 p.m.

### BOURNEMOUTH

February 5.—Members' meeting. Devonshire Hotel, at 6 p.m.

### Students' Meetings

To be held at the Grand Hotel, Fir Vale Road, at 6 p.m.

February 9.—"Income Tax" and "Profits Tax," by Mr. P. E. Whitworth, B.A., Barrister-at-Law.

February 21.—"Special Aspects of Partnership Accounts," by Mr. H. Allen Astbury, F.C.A.

### BRADFORD

January 30.—Members' luncheon meeting. Victoria Hotel, at 12.45 p.m.

### Students' Meetings

January 25.—"Examination Questions on Costing," by Mr. G. Tattersall-Walker, F.C.A. Midland Hotel, at 6.15 p.m.

February 15.—"Verification of Assets (with special regard to Stock in Hand and Work in Progress)" and "Estate Duty Accounts," by Mr. R. Y. Taylor, B.A., F.C.A. Midland Hotel, at 4.30 and 6.15 p.m.

### BRIGHTON

### Students' Meetings

All lectures will be held in Conference Room 3, Royal Pavilion, at 10.15 a.m.

January 21.—"Trust Accounts," by Mr. R. Glynne Williams, F.C.A.

January 28.—"Share Valuations and Take-over Bids," by Mr. C. R. Curtis, M.Sc., PH.D., F.C.I.S.

February 4.—"Surtax with Reference to Controlled Companies," by Mr. P. E. Whitworth, B.A.

February 11.—"The Law of Sale of Goods and Hire Purchase," by Mr. O. Griffiths, M.A., LL.B.

February 18.—"Reconstructions, Amalgamations and Absorptions," by Mr. F. E. Hargreaves, F.C.A.

February 21.—Visits to the Bank of England and the London Stock Exchange.

### BRISTOL

### Students' Meetings

All lectures will be held at Room 28, Bristol University—Main Building.

January 27.—"Sale of Goods," by Mr. L. C. H. Smart, M.A., LL.B. At 3.45 p.m.

February 3.—"Apportionments," by Mr. A. C. C. Oddie, F.C.A., and "Taxation—Partnerships," by Mr. H. P. Lawrence, F.C.A. At 3.45 and 4.45 p.m.

February 10.—"Partnership Accounts" and "Admission and Dissolution," by Mr. R. E. Perrins, A.C.A. At 3 p.m.

February 17.—"Agency," by Mr. L. C. H. Smart, M.A., LL.B. At 3.45 p.m.

### CARDIFF

### Members' Function

February 17.—Annual dinner of the South Wales and Monmouthshire Society. Park Hotel, at 6.45 for 7.15 p.m.

### CHELMSFORD

January 25.—Students' Quiz with Southend-on-Sea Students.

### COVENTRY

### Students' Meetings

All meetings will be held at the "Golden Cross," Hay Lane, at 6 p.m.

January 23.—Schedule D, Basis of Assessment," by Mr. W. O. Reid, H.M. Inspector of Taxes.

February 6.—"Company Law—Some Final Examination Problems," by Mr. F. R. G. Lowe, B.A., LL.B., Barrister-at-Law.

February 20.—"Fraud," by Superintendent Coleman (Coventry City Police).

## Classified Advertisements

Advertisements under "Appointments Vacant", "Practices & Partnerships", "Appointments Required", "Articled Clerks"—eightpence per word. Under "Official Notices", "Miscellaneous" and other headings—one shilling per word. Box numbers—five shillings extra (including the five words in the advertisement). Semi-displayed panels—£4 per column inch. All terms prepaid. Replies to Box Number advertisements should be addressed Box No. . . . c/o ACCOUNTANCY, Moorgate Place, London, E.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.

### APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Moorgate 5644.

### APPOINTMENTS VACANT WARWICKSHIRE EDUCATION COMMITTEE MID-WARWICKSHIRE COLLEGE OF FURTHER EDUCATION

Warwick New Road Leamington Spa  
Principal: H. M. Marklew, M.Sc., A.M.I.E.E.  
Assistant Grade 'B' in Commerce Department

Candidates should preferably hold a professional secretarial qualification and should be prepared to teach secretarial subjects up to intermediate level and, in addition, to take some classes in Shorthand and/or Typewriting.

Forms of application and full particulars will be sent by the Principal on request. Applicants who replied to the recent advertisement need not apply again.

N. A. Y. YORKE-LODGE,  
County Education Officer.

### ACCOUNTANTS FOR JAMAICA

International Firm of Accountants requires young recently qualified Chartered Accountants for its Jamaica Office.

The initial contract would be for three years, renewable by agreement.

Starting salary £1,400 with minimum annual increments £200 and liberal incentive bonus scheme. Kit allowance £100. Superannuation scheme. Passages paid and repatriation guaranteed. Annual holiday and three months' end of contract paid leave. Car provided. Accommodation is responsibility of employee, but rent may be paid by Firm with consequent adjustment in salary, thereby reducing tax liability under current tax laws.

Interviews will be held in London. Applications in confidence, stating age, marital status, education, experience and examination record, to Box No. 8, c/o ACCOUNTANCY.

**AUDIT CLERKS.** Many vacancies waiting for Senior, Semi-senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

**ACCOUNTANTS.** One of the large firms of Chartered Accountants has vacancies in the offices of its associated firm in Kenya, Uganda and Tanganyika for young qualified accountants, and unqualified men with suitable experience.

Successful candidates will be offered 4-year contracts. At the end of the first year, they will normally be offered another contract, but if they do not wish to stay in East Africa, they will if circumstances permit be offered appointments in one of the firm's offices in the United Kingdom.

The starting salary for qualified men is between £1,750—£1,850 according to age and experience, with annual increments. Passages out and back for family are provided and there is a pension and medical scheme and good leave entitlement.

These positions offer excellent prospects for young men who are considering making a career in or gaining some experience of these developing and attractive territories.

Applications should be sent in confidence to Box No. 7, c/o ACCOUNTANCY.

**ACCOUNTANTS FOR RHODESIA**  
QUALIFIED ACCOUNTANTS required by International Firm of Accountants, initially on three-year contracts, for their offices in SALISBURY and LUSAKA.

Candidates should be either recently qualified or with up to five years' experience since qualifying. Starting salaries £1,400 to £1,700 p.a. according to experience. Passages paid out and back for each successful applicant and up to two dependants. Annual bonus and generous leave conditions. Excellent prospects.

Applications with full particulars to Box No. 1, c/o ACCOUNTANCY.

**ACCOUNTANT FOR AUSTRALIA**  
Cooper Brothers & Co. have one or two vacancies for young accountants in PERTH, WESTERN AUSTRALIA. Preference will be given to qualified men but unqualified men with audit experience would be accepted. Good salary and working conditions. Applications to: Staff Manager, Abacus House, 33 Gutter Lane, London, E.C.2.

**ASSISTANT ACCOUNTANT** needed in Company Secretary's office of large firm of Management and Industrial Consultants operating in the United Kingdom and Overseas. Responsible position with varied and interesting work. Excellent opportunity for intelligent YOUNG WOMAN who is either a Chartered Accountant or a finalist. Well paid job with good conditions in modern office Aldwych district. Write full details education and career to Box No. 6, c/o ACCOUNTANCY.



### Accountants in Atomic Energy

Applications are invited from recently qualified accountants with professional experience for appointments in the Finance Directorate at Risley. The appointments will provide experience of modern accounting methods in a large organisation with many novel features of management accounting practice.

Applicants should have administrative ability and be capable of working in co-operation with scientific and technical staff. Starting salaries will be assessed on a scale rising to £1,185 per annum. There is ample scope for further advancement within the organisation.

Contributory Superannuation. Housing Assistance Schemes.  
Send postcard, for application form, quoting reference 417/J132 to:—

The Appointments Officer,  
UNITED KINGDOM ATOMIC ENERGY AUTHORITY,  
Development and Engineering Group Headquarters,  
Risley, Warrington, Lancashire.

Closing Date: 10th February, 1961.

(continued on page xxxix, facing page 58)

### GRESHAM ACCOUNTANTS' REGISTER LIMITED

(The Profession's Employment Specialists)

#### PRACTITIONERS

can rely on an efficient and skilled service backed by an intimate knowledge of professional requirements. A special interviewing service is available to overseas practitioners.

#### PROFESSIONAL STAFF

can rely on a wide selection of positions and skilled advice in connection with vacancies in all grades.

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are invited to register their requirements, which will receive prompt and skilled attention.

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to succeed him for the next Conference. The Conference put on record its deep regret at the death of Mr. H. V. Barham, F.C.A., who had audited the accounts of the Union for many years. Other officers appointed for 1960/61 were: Treasurer, Mr. P. H. Dobson, J.P., F.C.A.; Auditor, Mr. P. L. Neild, T.D., F.C.A.; Secretary, Mr. R. J. Carter, B.COM., F.C.A.

On the Friday evening delegates enjoyed a dinner arranged by the Liverpool Chartered Accountants Students' Association, followed by personal discussions of matters of interest to articled clerks and students' societies.

## Chartered Accountants' Benevolent Association

AT A RECENT meeting of the Executive Committee the chair was taken by Sir William Carrington, F.C.A., the President of the Association, and twelve members were present.

The President reported with deep regret the death of Mr. B. J. Davis, F.C.A., on September 18, 1960. Mr. Davis had been a member of the Executive Committee since 1947, and high tribute was paid to the devoted service he had given on the Committee. He was also Chairman of the Investment Sub-Committee, and Mr. R. W. L. Eke, F.C.A., expressed that sub-committee's great appreciation of the guidance and counsel which Mr. Davis had given to it.

### Applications for Assistance

Six new applications for assistance were considered; in one case a grant was made; in three cases donations were given either as an interim measure or to overcome temporary difficulties; in one case consideration was deferred pending further enquiries; in one case no grant was made.

### Applications for Further Assistance

Twenty cases for further assistance were considered. In eleven cases the grant was renewed; in two cases the grant was increased; in six cases the grant was reduced; one case was deferred for further enquiries to be made.

### Matters Reported

The Honorary Secretary reported changes in circumstances in fifteen cases and grants were adjusted or donations made.

The death of a beneficiary who had been assisted since 1939 was reported.

### W. B. Peat Memorial Scholarship Fund

One grant of £30 per annum for three years was made to assist with school fees.

### Christmas Gifts

It was decided to send small cash gifts to beneficiaries who are resident in Homes.

### Donations in memoriam

The Honorary Secretary reported that

donations in lieu of flowers amounting to £99 4s. had been received in memory of the late Mr. B. J. Davis, F.C.A., and that further donations amounting to £64 12s. had been received in memory of the late Mr. H. Stanley King, F.C.A.

## Forthcoming Events

### BIRMINGHAM

*January 18.*—Joint meeting with Association of H.M. Inspectors of Taxes. Queen's Hotel, at 6 p.m.

*February 8.*—"Some Present Economic Problems of the United Kingdom," by Mr. W. B. Reddaway, M.A., Director of the Department of Applied Economics, University of Cambridge. Queen's Hotel, at 6 p.m.

### Students' Meetings and Function

*January 24.*—"What Shall I Do?" Panel speakers: Mr. Stanley Dixon, M.A., F.C.A. (industry), Mr. W. Charlton Edwards, F.C.A. (nationalised industry), Mr. E. J. Newman, M.A., F.C.A. (in practice) and Mr. B. T. Taylor, F.C.A. (commerce). The Library, 36 Cannon Street, at 6 p.m.

*January 31.*—"Structure of our Legal System," by Mr. Brian Calwell. Imperial Hotel, Temple Street.

*February 7.*—"Solicitors' Accounts," by Mr. Stanley Kitchen, F.C.A. The Library, 36 Cannon Street, at 6 p.m.

*February 16.*—Annual winter dance. The Pavilion Suite, The County Ground, Edgbaston.

*February 21.*—"The Bank of England," by Mr. D. H. Buchanan. The Library, 36 Cannon Street, at 6 p.m.

*February 18.*—Visit to Alfred Bird & Sons Ltd.

### BLACKPOOL

*February 8.*—Students' annual dinner and dance, in conjunction with the Students of the Local Law Society. Queens Hydro, South Promenade, at 7.30 p.m.

### BOLTON

*February 15.*—Discussion meeting, chosen and opened by a member of the firm of P. and J. Kevan. Members' meeting. Reform Club, at 6.15 p.m.

### BOURNEMOUTH

*February 5.*—Members' meeting. Devonshire Hotel, at 6 p.m.

### Students' Meetings

To be held at the Grand Hotel, Fir Vale Road, at 6 p.m.

*February 9.*—"Income Tax" and "Profits Tax," by Mr. P. E. Whitworth, B.A., Barrister-at-Law.

*February 21.*—"Special Aspects of Partnership Accounts," by Mr. H. Allen Astbury, F.C.A.

### BRADFORD

*January 30.*—Members' luncheon meeting. Victoria Hotel, at 12.45 p.m.

### Students' Meetings

*January 25.*—"Examination Questions on Costing," by Mr. G. Tattersall-Walker, F.C.A. Midland Hotel, at 6.15 p.m.

*February 15.*—"Verification of Assets (with special regard to Stock in Hand and Work in Progress)" and "Estate Duty Accounts," by Mr. R. Y. Taylor, B.A., F.C.A. Midland Hotel, at 4.30 and 6.15 p.m.

### BRIGHTON

### Students' Meetings

All lectures will be held in Conference Room 3, Royal Pavilion, at 10.15 a.m.

*January 21.*—"Trust Accounts," by Mr. R. Glynne Williams, F.C.A.

*January 28.*—"Share Valuations and Take-over Bids," by Mr. C. R. Curtis, M.Sc., Ph.D., F.C.I.S.

*February 4.*—"Surtax with Reference to Controlled Companies," by Mr. P. E. Whitworth, B.A.

*February 11.*—"The Law of Sale of Goods and Hire Purchase," by Mr. O. Griffiths, M.A., LL.B.

*February 18.*—"Reconstructions, Amalgamations and Absorptions," by Mr. F. E. Hargreaves, F.C.A.

*February 21.*—Visits to the Bank of England and the London Stock Exchange.

### BRISTOL

### Students' Meetings

All lectures will be held at Room 28, Bristol University—Main Building.

*January 27.*—"Sale of Goods," by Mr. L. C. H. Smart, M.A., LL.B. At 3.45 p.m.

*February 3.*—"Apportionments," by Mr. A. C. C. Oddie, F.C.A., and "Taxation—Partnerships," by Mr. H. P. Lawrence, F.C.A. At 3.45 and 4.45 p.m.

*February 10.*—"Partnership Accounts" and "Admission and Dissolution," by Mr. R. E. Perrins, A.C.A. At 3 p.m.

*February 17.*—"Agency," by Mr. L. C. H. Smart, M.A., LL.B. At 3.45 p.m.

### CARDIFF

### Members' Function

*February 17.*—Annual dinner of the South Wales and Monmouthshire Society. Park Hotel, at 6.45 for 7.15 p.m.

### CHELMSFORD

*January 25.*—Students' Quiz with Southend-on-Sea Students.

### COVENTRY

### Students' Meetings

All meetings will be held at the "Golden Cross," Hay Lane, at 6 p.m.

*January 23.*—Schedule D, Basis of Assessment," by Mr. W. O. Reid, H.M. Inspector of Taxes.

*February 6.*—"Company Law—Some Final Examination Problems," by Mr. F. R. G. Lowe, B.A., LL.B., Barrister-at-Law.

*February 20.*—"Fraud," by Superintendent Coleman (Coventry City Police).

**DERBY**

February 7.—"The Accountant and the Solicitors' Accounts Rules," by Mr. S. J. Saunders, F.C.A. Members' meeting. The Midland Hotel, at 6.15 p.m.

**GRIMSBY**

February 20.—"The Work of the Taxation and Research Committee," by Mr. N. B. Hart, O.B.E., T.D., D.L., M.A., LL.B., F.C.A. Members' luncheon meeting. Royal Hotel, at 1 p.m.

**Students' Meetings**

January 24.—Visit to Internal Costing Department of Fisons Fertilizers Ltd., Immingham.

January 26.—"Branch Accounts and Joint Ventures," by Mr. A. C. Oldcorn, A.A.C.C.A. Offices of the Chamber of Commerce, 77 Victoria Street, at 7.30 p.m.

February 16.—"General Commercial Knowledge Questions in the Examination Papers," by Mr. M. F. McCulloch, A.C.A. Offices of Messrs. Forrester, Boyd & Co., 26 South St. Mary's Gate, at 7.30 p.m.

**HARPENDEN**

February 22.—"Management Accounting." One-day conference.

**HUDDERSFIELD**

February 2.—Members' luncheon meeting. Whiteley's Restaurant, at 12.30 p.m.

**HULL****Students' Meetings**

January 20.—"A New Look at Office Organisation and Records," by Mr. B. Di Mascio. Station Hotel at 6.15 p.m.

January 27.—"Liquidation and Bankruptcy," by Mr. N. R. Cowling, F.C.A. Imperial Hotel, Paragon Street, at 6.15 p.m.

February 10.—Annual general meeting of Hull Students' Society, followed by lecture on "Your Society." Imperial Hotel, Paragon Street, at 6.15 p.m.

February 16.—"Partnership Accounts" and "Management Accountancy," by Mr. C. J. Russell, A.C.A. The Imperial Hotel, Paragon Street, at 4 p.m. and 6.15 p.m.

**ILFORD**

February 3.—"Executorship Accounts—Statutory and Equitable Apportionments," by Mr. R. Glynn Williams, F.C.A., F.T.I.I. Students' meeting. The Reading Room, Conservative Club, 42 High Road, at 6 p.m.

**KINGSTON-UPON-THAMES**

February 6.—Meeting of the South-West London Discussion Group. The Kingston Hotel, Wood Street, Kingston-upon-Thames, at 6.45 p.m.

**LEEDS**

January 23.—"Share Valuations," by Mr. T. A. Hamilton Baynes, M.A., F.C.A. Members' meeting. Leeds and County Conservative Club, at 6.15 p.m.

January 20.—Students' Annual Dinner. Griffin Hotel.

**LEICESTER**

February 16.—"The Recent Activities of the Council," by Mr. G. T. E. Chamberlain, F.C.A. Members' luncheon meeting. Grand Hotel, at 12.30 for 12.45 p.m.

**Students' Meeting and Function**

January 27.—"Back Duty and Investigations," by Mr. D. G. Ridgway, H.M. Inspector of Taxes. The Saracen's Head, Hotel Street, at 6 p.m.

February 6.—Annual dinner. The Grand Hotel, at 6.45 p.m.

**LIVERPOOL****Students' Meetings and Function**

January 24.—Joint Debate with the Liverpool Law Students. McConnell's, Victoria Street, at 5.30 p.m.

January 27.—Annual ball. Hotel Victoria, New Brighton.

February 9.—Visit to J. Bibby & Sons' Factory, Great Howard Street. At 2.15 p.m.

February 16.—The President's Prize. The Library, at 4.45 p.m., preceded by tea at 4.30 p.m.

**LONDON****Members' Meetings**

January 25.—Meeting of Management Discussion Group. Wards Irish House, Storey's Gate, Westminster, S.W.1, at 6 p.m.

February 1.—Meeting of Taxation Discussion Group. The Cheshire Cheese, 10 Surrey Street, W.C.2, at 6 for 6.15 p.m.

February 6.—Meeting of the South-West London Discussion Group. The Kingston Hotel, Wood Street, Kingston-upon-Thames, at 6.45 p.m.

February 8.—Meeting of City Discussion Group. The Tiger Tavern, 1 Tower Hill, E.C.3, at 6 for 6.30 p.m.

February 9.—Luncheon meeting. Guest speaker: Lord Ritchie of Dundee, Chairman of the Stock Exchange. The Connaught Rooms, Great Queen Street, W.C.2, at 12.30 for 1 p.m.

February 15.—Meeting of North London Discussion Group. Russell Hotel, Russell Square, W.C.1, at 6.30 p.m.

February 22.—Meeting of Management Discussion Group. Wards Irish House, Storey's Gate, S.W.1, at 6 p.m.

**Students' Meetings**

All meetings to be held at the Institute.

January 25.—Meeting for newly-articled clerks. Tea and welcome by the President and Chairman. At 5 p.m.

January 26.—"How to Study," by Mr. R. J. Carter, B.COM., F.C.A. Introductory Course lecture. At 5.15 p.m.

January 27.—Badminton v. Kings College. February 2.—"The Chartered Accountant's Profession," by Mr. R. J. Carter, B.COM., F.C.A. Introductory Course lecture. At 5.15 p.m.

February 3.—"The Fundamentals of Business," by Mr. R. J. Carter, B.COM., F.C.A., and "The English Judicial System (I)," by Mr. P. W. Medd, Barrister-at-Law. Introductory Course lectures. At 5.15 p.m.

February 4.—Kingsway Club dance. The Oak Hall of the Institute.

February 6.—"The Bank of England in World Finance," by Mr. L. P. Thompson-McCausland. At 5.30 p.m.

February 9.—"The Fundamentals of Accountancy," by Mr. R. J. Carter, B.COM., F.C.A. Introductory Course lecture. At 5.15 p.m.

February 9.—"59 Club" theatre party.

February 10.—"The Functions and Form of the Profit and Loss Account and the Balance Sheet," by Mr. R. J. Carter, B.COM., F.C.A., and "The English Judicial System (II)," by Mr. P. W. Medd, Barrister-at-Law. Introductory Course lectures. At 5.15 p.m.

February 13.—"The New Look in Building Society Accounts," by Mr. Alexander Meikle, C.A. At 5.30 p.m.

February 16.—"The Fundamentals of Auditing," by Mr. F. R. Porter, F.C.A., A.C.W.A. Introductory Course lecture. At 5.15 p.m.

February 17.—"The Basic Principles of Double Entry and Accounting Systems," by Mr. R. J. Carter, B.COM., F.C.A., and "The Law and its Branches," by Mr. P. W. Medd, Barrister-at-Law. Introductory Course lectures. At 5.15 p.m.

February 20.—"Management Accounting in Relation to Public Practice," by Mr. P. Livingston Armstrong, F.C.A. At 5.30 p.m.

February 23.—"Details of Final Accounts," by Mr. F. R. Porter, F.C.A., A.C.W.A. Introductory Course lectures. At 5.15 p.m.

**LUTON****Members' Meeting**

January 25.—"The Planning of Personal Estates to Minimise Estate Duty," by Mr. B. R. Pollott, M.A., F.C.A.

**Students' Meetings and Function**

January 23.—Visit to Martins Bank Head Office.

January 27.—Dinner-dance. Royal Hotel. February 6.—"Executorship—Equitable Apportionments," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. Luton & S. Beds. College (Room 233), at 6.15 p.m.

**MANCHESTER****Members' Meetings**

January 24.—"Specific Problems in Consolidating Accounts." Discussion Group meeting. Leader, Mr. D. A. Boothman, A.C.A. The Board Room, 46 Fountain Street, at 6 p.m.

February 22.—"Aspects of Auditing—as presented to the Summer Course, 1960." Discussion Group meeting. Leader, Mr. J. A. Taylor, F.C.A. The Board Room, 46 Fountain Street, at 6 p.m.

**Students' Meetings**

All meetings will be held at the Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

January 26.—"Commercial Fraud," by Detective-Inspector C. Horan.

January 27.—Visit to the Studios of Granada Television Network.

February 2.—"Taxation—To Bring You



Up-to-Date," by Mr. H. A. R. J. Wilson, F.C.A.

February 9.—"What is an Industrial Consultant?" by Mr. J. W. Sheldon.

February 16.—"The Basic Principles of Punched Card Accounting," introducing the various machines, by a representative of International Computers and Tabulators Ltd.

February 23.—"Application of Punched Card Equipment, including the use of Electronic Calculators," by a representative of International Computers and Tabulators Ltd.

*The following lectures, to be given at the Chartered Accountants' Hall, 46 Fountain Street, have been arranged by the Joint Tuition Committee:*

Intermediate lectures (lecturers: Mr. H. C. Cox, F.C.A., Mr. P. H. Spencer, A.I.B., Mr. W. A. Eastwood, F.C.W.A., Mr. A. Steel, M.A., and Mr. R. G. Crook, A.C.I.L., A.M.C.I.B.) on January 21, 28, February 4, 11 and 18, at 9.30 and 11 a.m.

Final lectures (lecturers: Mr. A. Steel, M.A., Mr. R. Y. Taylor, B.A., F.C.A., Mr. L. R. Wilkinson, F.C.A., Mr. J. Gelley, B.COM., A.C.A., and Mr. G. J. Netherclift, F.C.A.) on January 21 and 28, February 4, 11 and 18, at 9.30 and 11 a.m.

#### MIDDLESBROUGH

##### Students' Meetings

January 31.—"Estate Duty," by Mr. K. S. Carmichael, A.C.A. Hinton's Café, at 6.15 p.m.

February 14.—"Meeting People—The Bank Manager," by Mr. W. A. Daglish. Hinton's Café, at 6.15 p.m.

#### NEW BRIGHTON

January 27.—Liverpool Students' annual ball. Hotel Victoria.

#### NEWCASTLE UPON TYNE

##### Students' Meetings and Function

February 2.—"Personal Assessments, Excess Rents, Maintenance Claims," and "Company Accounts, Form and Content of Final Accounts," by Mr. K. S. Carmichael, A.C.A. The Y.M.C.A., Blackett Street, at 2.15 and 6 p.m.

February 16.—"Income Tax, Schedule D, Cases I and II." The Y.M.C.A., Blackett Street, at 6 p.m.

February 17.—Annual dinner. Northern Conservative and Unionist Club, Pilgrim Street.

#### NEWPORT

February 21.—"The Link between Financial and Cost Accounts in the Shipbuilding Industry," by Mr. W. G. Wright. Students' meeting. Bugle Hotel, at 6 p.m.

#### NORTHAMPTON

February 9.—"General Financial Knowledge" and "Personal Computations of Income Tax," by Mr. J. M. Higgison, F.C.A. Students' meetings. Plough Hotel, at 4.45 and 6.20 p.m.

#### NORWICH

##### Students' Meetings

February 7.—"Schedule D," by Mr. J. M. Higgison, F.C.A., and "Statutory and Equitable Apportionments," by Mr. L. J. Northcott, F.C.A. For Intermediate Students. Assembly House, at 11.30 a.m. and 2.30 p.m.

February 7.—"Consolidated Accounts," by Mr. L. J. Northcott, F.C.A., and "Profits Tax," by Mr. J. M. Higgison, F.C.A. For Final Students. Assembly House, at 11.30 a.m. and 2.30 p.m.

#### NOTTINGHAM

##### Students' Meetings

January 25.—"The City Page of a Newspaper." Lecture to be held jointly with the City Treasurer's Department.

February 1.—"Miscellaneous Bookkeeping Problems (I) and (II)," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. The Ballroom, the Elite Cinema, Parliament Street, at 4 p.m.

February 3.—Annual dinner-dance.

February 8.—"Dare You Speak in Public? (I) and (II)," by Mr. Arthur Duxbury. The Ballroom, the Elite Cinema, Parliament Street, at 4 p.m.

February 15.—"Income Tax Losses (I) and (II)," by Mr. K. S. Carmichael, A.C.A. The Ballroom, the Elite Cinema, Parliament Street, at 4 p.m.

#### OXFORD

##### Students' Meetings

January 26.—"Management Accounting," by Mr. R. Glendinning, M.A., C.A., F.C.W.A. The Kemp Green Room, at 6 p.m.

February 15.—Meeting for newly-articled clerks. The Kemp Green Room, at 4.30 p.m.

February 15.—"The Audit of Mechanised Accounts," by Mr. L. W. Shaw, B.SC., F.C.A. The Kemp Green Room, at 6.10 p.m.

#### PLYMOUTH

January 20.—"The Back Duty Sections of the 1960 Finance Act," by Mr. P. M. B. Rowland, LL.B. Members' meeting. Grand Hotel, at 6.15 p.m.

January 20.—"Tax in Court," by Mr. P. M. B. Rowland, LL.B. Students' meeting. Grand Hotel, at 4.15 p.m.

#### PORTSMOUTH

##### Students' Meetings

To be held at the Conference Room, Electricity House, High Street, at 6 p.m.

February 14.—"Advancement and Hotchpot," by Mr. R. Glynn Williams, F.C.A.

February 21.—"Partnership and Joint Venture Accounts," by Mr. R. E. G. Perrins, A.C.A.

#### PRESTON

##### Students' Meetings

February 1.—Visit to the Works and Accounting Sections of Pilkington Brothers Limited, Glass Manufacturers, St. Helens.

*The following lectures, to be held at the Reform Club, Chapel Street, at 10 and*

*11.15 a.m., have been arranged by the Manchester Joint Tuition Committee:*

Intermediate lectures (lecturers: Mr. P. S. Peters, Mr. H. B. Vanstone, F.C.A., Mr. H. C. Cox, F.C.A., Mr. P. H. Spencer, A.I.B., and Mr. W. A. Eastwood, F.C.W.A.) on January 21 and 28, February 4, 11 and 18.

Final lectures (lecturers: Mr. H. B. Vanstone, F.C.A., Mr. P. S. Peters, Mr. A. Steel, M.A., Mr. R. Y. Taylor, B.A., F.C.A., Mr. L. R. Wilkinson, F.C.A., and Mr. J. Gelley, B.COM., A.C.A.) on January 21 and 28, February 4, 11 and 18.

#### RYDE

January 24.—"Law of Contract—The Sale of Goods," by Mr. F. R. G. Lowe, B.A., LL.B., Barrister-at-Law. Students' meeting. Royal York Hotel, at 5.30 p.m.

#### SHEFFIELD

February 15.—Management Accounting meeting. Members' meeting. St. James's Club, St. James's Row, at 6 p.m.

February 23.—Luncheon to welcome newly-qualified members of the Institute. Grand Hotel, at 12.30 for 1 p.m.

#### Students' Meetings and Function

January 26.—Annual dinner-dance. The Maynard Arms, Grindleford.

February 2.—"Audit of a Balance Sheet" and "Equitable Apportionments," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. St. James's Club, St. James's Row, Church Street, at 4 and 5.30 p.m.

February 7.—Social evening. The Three Tuns, Leopold Street, between 5.30 and 6.30 p.m.

February 16.—"Group Accounts I and II," by Mr. K. S. Carmichael, A.C.A., St. James's Club, St. James's Row, Church Street, at 4 and 5.30 p.m.

February 23.—Visit to Steel, Peck and Tozer Ltd.

#### SHREWSBURY

February 7.—"Company Flotations and Takeover Bids," by Mr. Lowe, A.C.A. Students' meeting.

#### SOUTHAMPTON

January 26.—Annual dinner. Polygon Hotel, at 6.30 p.m.

#### SOUTHEND-ON-SEA

##### Students' Meetings

January 25.—Quiz with Chelmsford Branch at Chelmsford. Southend students will leave from outside Chamber of Trade at 5.15 p.m.

February 6.—Visit to the London Stock Exchange (leaving from the Chamber of Trade at 9 a.m.).

February 22.—Visit to E. K. Cole & Co. Ltd.

#### STOKE-ON-TRENT

January 24.—"Company Law," by Mr. G. N. Bell, LL.B.

February 7.—"Profits Insurance," by Mr. J. P. J. Sykes, A.C.I.L.

February 21.—"Some Practical Aspects of Auditing," by Mr. A. S. Maddison, F.C.A.

**SUNDERLAND**

February 1.—"Integrated Cost Systems," by Mr. K. S. Carmichael, A.C.A. Students' meeting. West Park College of Further Education, at 5 p.m.

**TAUNTON**

February 16.—"Costing Overheads," by Mr. J. L. Bayliffe. Members' meeting. The County Hotel, at 6.15 p.m.

**TRURO**

January 19.—"The Back Duty Sections of the 1960 Finance Act," by Mr. P. M. B. Rowland, LL.B. Members' meeting. Red Lion Hotel, at 6.15 p.m.

**WOLVERHAMPTON**

February 6.—"Inside Russia Today," by Mr. Bernard Newman. Members' meeting. Victoria Hotel, at 5.30 p.m.

**Students' Meetings**

All meetings will be held at the *Rendezvous Restaurant, Berry Street, at 6 p.m.*

January 20.—"Fraud," by Superintendent T. Marsh.

February 3.—"Auditing," by Mr. V. S. Hockley, B.COMM., C.A., A.A.C.C.A.

February 17.—"The Budget and the Credit Squeeze," by Mr. J. H. Richards, M.A., B.SC.

**YORK**

January 25.—Members' luncheon meeting. De Grey Rooms, at 1 p.m.

February 3.—Annual dinner of the York Group. Merchant Taylors Hall, Aldwark.

**Personal Notes**

Sir Richard Yeabsley, C.B.E., F.C.A., and Mr. Lawrence Robson, F.C.A., both members of the Council of The Institute of Chartered Accountants in England and Wales, have accepted invitations to join the Board of Bailey (Malta) Ltd.

Messrs. Baker, Todman & Co., Chartered Accountants, London, W.C.2, announce that Mr. R. P. Baker has retired from the firm but continues to be available in a consultative capacity. The name of the firm is unchanged.

Messrs. Price Waterhouse & Co. announce that they have opened an office in Lagos, Nigeria (Private Mail Bag 2419), with Mr. P. J. Byworth, F.C.A., as resident manager.

Cooper & Lines and Coopers & Lybrand announce that they have formed the Bermudian firm of Coopers & Lybrand with an office at International Centre, Hamilton, Bermuda.

Cooper Brothers & Co. and Coopers & Lybrand, Paris, announce that Mr. David Adamson, C.A., has been admitted as a partner.

Cooper Brothers & Co. and Coopers & Lybrand, Singapore, announce that Mr. John Kane has retired from the firm and

its associated firms. The practice continues to be carried on by the remaining partners under the same style and at the same address.

Messrs. Richardson, Nutt & Co., Chartered Accountants, Derby, have taken into partnership Mr. William Gillanders, A.C.A., who has been associated with them for a number of years. The style of the firm remains unchanged.

Mr. C. C. Miller, B.COM., F.C.A., has been appointed Deputy Chairman of Earle, Bourne & Co. Ltd., Birmingham.

Mr. W. F. Brooks, F.C.A., will on February 1 relinquish his position as secretary of The British Electric Traction Co. Ltd. to take up an executive appointment with Rediffusion Ltd. He will be appointed to the Boards of a number of companies in the Rediffusion group.

Messrs. R. G. Kirkpatrick & Co., Chartered Accountants, London, E.C.2, announce that Mr. D. G. Williams, A.C.A., has retired from the partnership. Mr. A. Cameron White, C.A., has been admitted to partnership, and the firm name remains unchanged. Mr. D. G. Williams is now practising under the style of D. G. Williams & Co. at 64 Aldermanbury, London, E.C.2.

Messrs. Finnie, Ross, Welch & Co., Chartered Accountants, London, E.C.4, and Glasgow, announce with great regret the death of Mr. Harry A. Gaul, C.A., a partner in the Glasgow office.

Mr. W. Campbell Allan, F.C.A., has on grounds of ill-health relinquished the office of chairman of the Northern Counties Permanent Building Society, but remains a director. He is succeeded as chairman by Colonel R. Mould-Graham, O.B.E., M.C., T.D., D.L., F.C.A., who has been vice-chairman since 1951.

Messrs. Deloitte, Plender, Griffiths & Co. announce that they have admitted to their Milan partnership Mr. T. J. Glanville, D.S.C., A.C.A., who has been manager of the Milan office for some years.

Messrs. Thomson, Kingdon & Co., Chartered Accountants, London, W.1, announce that they have amalgamated their practice with that of Thornton Baker & Co., Chartered Accountants, 9/12 Basinghall Street, London, E.C.2, and have transferred their offices to that address.

Messrs. Annan, Impey, Morrish & Co., Chartered Accountants, announce that they are now associated with Messrs. Harwood Banner, Lewis & Mounsey, Liverpool, London, Manchester, Chester and Wrexham. Mr. H. T. Nicholson, F.C.A., and Mr. J. M. Harrison, F.C.A., have been admitted into partnership, and a branch office has been opened at 24 North John Street, Liverpool, 2.

Messrs. Cole, Dickin & Hills, Chartered Accountants, London, W.C.2, Grimsby, Sleaford and Falmouth, announce that Mr. Maurice C. Cole, F.C.A., has retired from the partnership and is now practising at 5 Plough Place, London, E.C.4. The practice

of Messrs. Cole, Dickin & Hills continues as heretofore.

**Removals**

Messrs. Lord, Foster & Co., Chartered Accountants, have removed their offices to City Wall House, 129/139 Finsbury Pavement, London, E.C.2.

Messrs. Gainsford, Elliott & Co., Chartered Accountants, have changed their address to Walton House, 1 Newman Street, Oxford Street, London, W.1.

**Obituary****John Clarence Billingham**

WE REGRET TO record the death, on December 27, 1960, of Mr. John C. Billingham, F.C.A., senior partner in Messrs. Layton-Bennett, Billingham & Co., Chartered Accountants, London.

Mr. Billingham was born in Nottingham in 1893, and served his articles with Messrs. Moore & Morell of that town. After being admitted to membership of the Institute in 1919, he joined the staff of Messrs. Peat, Marwick, Mitchell & Co., leaving them at the end of 1924 to become a partner in the London office of Messrs. Chiene & Tait. Some three years later that firm amalgamated with Messrs. E. Layton-Bennett, Sons & Co. to form the firm Layton-Bennett, Chiene & Tait. The two firms subsequently separated again and Mr. Billingham remained with Messrs. Layton-Bennett & Co., becoming senior partner in 1943.

Handicapped by ill-health for some years and by failing eyesight aggravated by overwork, he set to with great courage to overcome this latter handicap by learning braille, thus enabling himself to keep in touch with his business contacts until his last illness developed about three months ago.

**Doyleh Tanfield**

WE REGRET TO announce the death on December 7 of Mr. Doyleh Tanfield, F.C.A., J.P., senior partner in Messrs. Wall & Tanfield, Chartered Accountants, Birmingham, and formerly Librarian and a member of the Committee of the Birmingham and District Society of Chartered Accountants.

Mr. Tanfield was admitted to membership of the Institute in 1909, and started to practise in the same year.

He was a lifelong member of the Methodist Church, to which his services were freely given in various offices.

For six years he was a member of the Dudley Borough Council; for eleven years he was secretary of the Dudley Chamber of Commerce.

Mr. Tanfield's elder son, Mr. D. E. T. Tanfield, F.C.A., who was articled to him, now holds an industrial appointment and is a member of the Taxation and Research Committee of the Institute.



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### APPOINTMENTS VACANT

(continued from page xxxviii, facing page 55)

**BRITISH CHARTERED ACCOUNTANT** with fluent French required by British Company to supervise the Accounts of their subsidiaries in Paris, Amsterdam, Bruxelles, Frankfurt. Knowledge of German desirable but not essential.

The appointment would be based on Paris and frequent journeys to the other Cities would be necessary to supervise the Accounts of Selling Companies sited in those Cities. The person appointed might also be required at the Company's factories in other parts of France.

Interviews, for which expenses will be paid, may take place in Paris or London. Reply with full particulars of age, experience, qualifications and salary required to Box No. 2, c/o ACCOUNTANCY.

**CHARTERED ACCOUNTANT** with Costing experience required by steel industrial concern in Dublin to take charge of cost and financial departments. Age 35 years or over. Starting salary £1,000 per annum. There is a unique opportunity for promotion to high executive staff for a person with knowledge, ability and ambition. Handwritten applications must include details of positions held with employer's name and salary earned. Strict confidence will be observed and no approach will be made to present or previous employers without the written consent of the applicant. Box 1446, EASON'S ADVERTISING SERVICE, Dublin.

**CHARTERED ACCOUNTANTS** have a vacancy in their City Office for a young Qualified Accountant which will offer a wide and varied experience. Finals candidate considered. Commencing salary for qualified man £950—£1,000. Write stating age, experience and qualifications to Box No. A518, c/o WALTER JUDD LTD., 47 Gresham Street, E.C.2.

**CHARTERED ACCOUNTANTS** — Price Waterhouse & Co., 3 Frederick's Place, Old Jewry, London, E.C.2, have vacancies for young qualified accountants. Excellent prospects and opportunities for broadening experience in the profession. 5-day week, luncheon vouchers and pension scheme.

#### DELOITTE, PLENDER, GRIFFITHS & CO.,

5 London Wall Buildings, London, E.C.2, have vacancies on their audit staff for young qualified accountants. Opportunities to transfer abroad in due course, 5-day week, luncheon vouchers and pension scheme.

**LONDON CHARTERED ACCOUNTANTS**, with wide and varied practice, have vacancies for young Chartered Accountants. Salary range £950 to £1,100 according to experience. Write Box No. 11, c/o ACCOUNTANCY.

**CHARTERED ACCOUNTANTS** in Nottingham require qualified and unqualified assistants. Salary range from £900 to £1,200 according to experience. Apply to Box No. 5, c/o ACCOUNTANCY.

**FIRE LOSS ADJUSTERS.** ELLIS & BUCKLE LTD., 44 Leadenhall Street, London, E.C.3, require young C.A. or A.C.A. or November 1960 finalist to concentrate on consequential loss and other claims. Interesting and varied career dealing with people rather than documents. Progressive post leading to Area Managership. Pension scheme. Medical scheme. Replies will be treated as personal and confidential if addressed to C. K. Buckle, Esq.

**PEAT, MARWICK, MITCHELL & CO.,** 11 Ironmonger Lane, London, E.C.2, have vacancies in their London office for young Chartered Accountants who wish to widen their experience in all branches of accountancy. Excellent prospects, good starting salary, pension scheme. Opportunities for service overseas. Applications to 11 Ironmonger Lane, E.C.2.

#### CAMBRIDGE UNIVERSITY AND TOWN WATERWORKS COMPANY

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Starting salary £2,000 p.a.

The Company supplies a population of 112,000 in its own area and, in addition, furnishes supplies in bulk to neighbouring Authorities. A scheme of considerable expansion into rural areas involving an increase in the population supplied to 185,000 is in course of preparation. Revenue (1959) £212,000. The Company operates its own Superannuation Scheme which is closely similar to that for Local Government but without transferability.

*Desired Qualifications:* Membership, by examination, of appropriate professional body, preferably the Institute of Chartered Accountants or the Institute of Municipal Treasurers and Accountants. Knowledge of, and preferably some experience in, the following duties: keeping main accounts, revenue collection, costing, internal audit, general financial control, raising of capital, transfer of stocks, Common and Waterworks Law, mechanised accounting, organisation and control of staff.

*The successful applicant will be required to take up his appointment on 1st July, 1961.*

*Applications in duplicate and with the names of two referees to Managing Director, Rustat Road, Cambridge, not later than 20th February, 1961.*

#### FISONS LIMITED

Fisons Limited have vacancies in their Internal Audit Department for young Chartered Accountants. The appointments offer interesting opportunities to gain valuable experience in management accounting, including standard costs and budgetary control, in a progressive and expanding group of companies. They could also lead to good appointments in other departments.

The Group manufactures a wide range of chemicals, including fertilizers, and hence a knowledge of chemistry would be an advantage. The appointments, though based on Felixstowe, entail a certain amount of travel to branches throughout the U.K.

There is a comprehensive pension scheme which, for married staff, includes widows and dependent children.

Applicants should write in confidence, giving full details of age, education, qualifications, experience and salary expected, to:

The Group Personnel Officer (B19),  
 FISONS LIMITED,  
 Felixstowe, Suffolk.



#### ASSISTANT TO FINANCIAL ACCOUNTANT

A young man, recently qualified in accountancy, is required to understudy Financial Accountant.

This is an excellent opportunity to obtain commercial experience in a thriving Company using modern office methods and equipment, and practising Management Accountancy, in the form of Budgetary Control, Standard Costing, Period Accounts, Internal Audit and O. & M.

Salary will be determined by experience and age, but is envisaged as commencing at £750 p.a. Contributory Life Assurance Pension Schemes.

Apply in writing stating age, education and commercial experience to:—

The Personnel Manager,  
 JEYES' SANITARY COMPOUNDS COMPANY LTD.,  
 31 River Road, Barking, Essex.

**FITZPATRICK, GRAHAM & CO.,** chartered accountants, have vacancies for qualified assistants in their overseas offices respectively in British Guiana, Trinidad and Jamaica. Prospects and salaries are good. November finalists would be considered. Please apply to 95a Chancery Lane, London, W.C.2.

**NEWLY QUALIFIED ACCOUNTANTS** required for Liverpool office. Salary according to age and experience. Good prospects, Pension Scheme, Luncheon vouchers. Apply in writing to HARMOOD BANNER, LEWIS & MOUNSEY, 24 North John Street, Liverpool, 2.

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Office Manager required for the Head Office of the Company at 77 Uxbridge Road, Ealing W.5. In addition to general office administration and organisation, the position involves responsibility for the work of departments dealing with Company and branch accounting. An accountancy qualification and knowledge of punched card accounting, whilst not essential, would be an advantage. Applicants should have had experience in the control and supervision of a large office staff.

Applications, giving full details of qualifications, experience and age should be submitted in writing to the Secretary of the Company at the above address.

The successful applicant will receive an initial salary of between £1,000 and £1,500 per annum dependant on qualifications and previous experience.

A non-contributory Pension Scheme is in operation and canteen facilities are available.

*'Applications will be treated in confidence'.*

### PERSONAL ASSISTANT TO CHIEF ACCOUNTANT (25/30 yrs).

Old established electrical engineering company situated in North Acton require recently qualified or an unqualified man who is competent to produce a set of Financial Accounts. Five Day Week. Superannuation scheme. Write giving full details of experience, qualifications (if any), age and salary required to Personnel Manager, Box PA 4401, A. KNIGHT ADVG. LTD., 212A Shaftesbury Ave., W.C.2.

**POWELL DUFFRYN LIMITED.** Applications are invited for the appointment of Assistant in the Group Chief Accountant's Department, commencing salary £750 p.a. to £1,000 p.a. depending on age and experience. Good working conditions, pension scheme, luncheon vouchers. Please write giving details of age, experience, qualifications (if any) to:—Group Personnel Officer, POWELL DUFFRYN LIMITED, 8 Great Tower Street, London, E.C.3, quoting Reference 1B/1961.

**QUALIFIED ACCOUNTANT** with sound professional experience required by City chartered accountants. Commencing salary £1,250—£1,500 according to age and experience. Five-day week, luncheon vouchers, pension scheme. Write Box No. 3, c/o ACCOUNTANCY.

**SEMI-SENIOR** required by City firm with expanding practice. Excellent prospects. Salary up to £650 according to experience. Box No. 13, c/o ACCOUNTANCY.

**SENIOR AUDIT ASSISTANTS**, newly qualified or with post-qualification experience, required by Oxford firm of Chartered Accountants. One of the vacancies is for an Assistant wishing to specialise in all aspects of Company work. Flat available. Pension scheme. Good prospects for suitable person. Apply to CRITCHLEY, WARD AND PIGOTT, 1-5 Broad Street, Oxford.

**SENIOR.** Chartered Accountant required by City firm. Excellent prospects for newly qualified man desiring to widen experience. Salary £850—£1,100. Pension Scheme. Box No. 12, c/o ACCOUNTANCY.

**SENIOR.** Ogden, Hibberd Bull & Langton, Audrey House, Ely Place, London, E.C.1, have a few vacancies on their staff for young qualified Accountants. Salary according to experience. Please apply in own handwriting.

**SOUTH AFRICA.** Deloitte, Plender, Griffiths, Annan & Co. have vacancies for newly qualified chartered accountants in their Johannesburg and Bulawayo offices. Contracts, which are renewable, are for an initial period of three years and cover the payment of passages to Africa and home on completion of the contract. The appointments carry good salaries with generous leave conditions and allowances. Write with details of qualifications and experience to DELOITTE, PLENDER, GRIFFITHS & CO., 5 London Wall Buildings, London, E.C.2.

### SECRETARY/ACCOUNTANT. THE

BOOKER GROUP have a vacancy for a Relief Secretary/Accountant in their group of retail and wholesale companies in NORTHERN RHODESIA. Applicants should not be more than 26 and must be single, and must be familiar with all aspects of accounting and secretarial work including the preparation of final accounts. Some commercial experience is necessary, preferably in a department store business; experience of credit control would be a further advantage. The post, which is permanent, is an interesting one involving travel within Northern Rhodesia; it offers good opportunities for promotion. Starting salary £1,200 per annum plus an annual bonus; the other terms of service will include good contributory pension and medical schemes, and accommodation at a nominal rent.

Please write for an application form, stating age, qualifications (if any), and present position and salary, to: The Secretary, CAMPBELL BOOKER HOLDINGS LTD., Bucklersbury House, 83 Cannon Street, London, E.C.4.

**TAXATION ACCOUNTANT.** An international firm of Chartered Accountants is seeking one or two young qualified or unqualified accountants for its taxation department. Specialised experience of taxation is not necessary provided candidates are willing to learn. The appointments offer the opportunity to gain the best professional experience of this type of work and excellent prospects of promotion. Starting salaries are high. Five-day week, luncheon vouchers, pension and life assurance scheme. Please apply in confidence to Box No. 9, c/o ACCOUNTANCY.

**VACANCIES** available for qualified Accountants in South America, West Indies, Rhodesia, Kenya, Far East and the Continent. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

**WEST AFRICA.** Qualified accountant (preferably single) required by firm of chartered accountants to assist in opening new office in Nigeria. Salary and contract to be agreed, free accommodation and medical attention, low taxation and excellent opportunity for advancement. Write Box No. 4, c/o ACCOUNTANCY.

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